France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.60	Malaysia	Rin4.25	Thailand	Bht50
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr150	Norway	NKr12.00		
India	Rs18	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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FASHION
London fights for the world catwalk
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No.31,094 © THE FINANCIAL TIMES LIMITED 1990 — Friday March 9 1990 — D 8523A

World News

Kohl renews pressure on Poland over war claims

W German Chancellor Helmut Kohl again stressed the need for Poland to renounce war reparations claims and do more to protect the rights of the Polish German minority.

A formal motion passed by the Bundestag accepted that the existing border would not be questioned "either now or in the future."

Polish President Wojciech Jaruzelski said the resolution by the West German parliament pledging that a united Germany would not challenge Poland's borders was "not fully satisfactory." Page 20

KGB warns leaders
The KGB warned Supreme Soviet members it will act to protect socialism and accused Kremlin leaders of failing to do so, a new independent news agency, Postfactum, reported. Page 2

Alfonsin warning
Raul Alfonsin, who left the Argentine presidency last year, warned that democracy in the country is under threat, as demonstrators took to the streets again in provincial cities. Page 20

Dublin inquiry call
The Irish republic called for an inquiry into allegations of collusion between police and Protestant vigilantes in Northern Ireland after a Republican activist was killed leaving a police station.
'Shoot-to-kill' case, Page 7

MEP moves
Fresh signs that the European Parliament urgently wants to make its permanent home in Brussels have sparked off a furious response from the French and Luxembourg Governments. Page 3

China seals off Tibet
China virtually sealed off Tibet from the world on the anniversary of the imposition of martial law in Lhasa, in what foreign diplomats said was a sign of renewed tension in the region.

Libyan denial
Libya denied again that it was producing chemical weapons and said it was ready to take part in international initiatives against chemical warfare.

Malaysian poachers
Four Malaysian officers serving with a UN force in Namibia have been stripped of their rank for poaching, a UN spokesman said.

Nato peace proposal
Belgian Foreign Minister Mark Eyskens proposed that Nato should offer to sign a non-aggression pact with the Soviet Union.

Afghan coup toll
Afghan President Najibullah said 25 civilians died and more than 150 were injured in the coup attempt that included a 20-hour bombardment of Kabul.

SA readies troops
South Africa stood ready to send troops into the black homeland of Bophuthatswana to bolster its unpopular government against a wave of political unrest from spreading nationwide. Page 4

Business Summary

Row erupts over Japan's monetary policy

An argument over monetary policy between the Japanese Ministry of Finance and the Bank of Japan erupted into the open at a financial conference in Tokyo. Page 20

SHEARSON Lehman Hutton, the troubled Wall Street securities house, is laying off about 18 per cent of its investment banking staff. The latest round of redundancies comes only a week after the company said that it would reduce its 35,500 staff by at least 2,000. Page 24

HILTON Hotel shares plunged almost 20 per cent at the start of trading as Wall Street reacted to Wednesday night's announcement that the hotel and gaming company was no longer for sale. Page 24

USX, under pressure from Mr Carl Icahn, the New York investor who has stalked the energy and steel group for over three years, has agreed to put the future of its steel business to a shareholder vote at its annual meeting next month. Page 22

BANCA Nazionale del Lavoro (BNL), Italy's biggest state-owned bank, saw earnings plummet in 1989 in the wake of financial irregularities discovered at its Atlanta branch last August. Page 22

VICKERS, UK engineering, defence and luxury car group, firmly rejected a plan to demerge its Rolls-Royce Motor Cars subsidiary which was proposed by IEP Securities, the UK investment arm of New Zealand businessman, Sir Ron Brierley. Page 21

SAAB-SCANIA, Swedish automotive and aerospace group, is to open a FFr1.7bn ($296m) truck-making plant in western France, on the site formerly earmarked by Japan's Subaru for a project which has been aborted. Page 22

APPLE Computer is planning to launch a high-performance model of its Macintosh personal computer this month, along with software upgrades. The launch could provide Apple with its first good news in months. Page 24

ALLIED-SIGNAL of New Jersey has filed a complaint with the US Trade Representative in an attempt to open the Japanese market to high-technology advanced materials. Page 6

CAMPEAU CORP, the ailing Canadian real estate and retailing group, will default on loans from two of its key creditors. Page 24

DEUTSCHE Genossenschaftsbank (DG Bank) has agreed to settle the DM6bn ($3.5bn) of disputed bond deals which led to an angry row with French banks. Page 26

GREECE has been warned in a confidential IMF report that this year's public sector borrowing requirement will exceed 22 per cent of GDP unless stabilisation measures are quickly adopted. Page 3

BRITANNIA Brands, a joint venture between BSN, the internationally hungry French food group and Mr Rajan Pillai, the Indian industrialist, unveiled a $180m takeover of RJR Nabisco's Asian-Pacific businesses. Page 22

Airbus warns on rising airport congestion in Europe

By Paul Betts, Aerospace Correspondent, in London

CHRONIC airport congestion coupled with likely increases in airport fees and taxes risk undermining the European Commission's efforts to deregulate air transport and cut fares in Europe, Airbus Industrie, the European aircraft consortium, warned yesterday.

In its annual report on the civil jet aircraft market, the consortium warned that heavy demand for prime take-off and landing slots at European hub or congested airports was likely to push up airline landing fees.

It also said that the introduction of Value Added Tax on air tickets after 1992 and the sharp fall in airport tax-free sales would undoubtedly be passed on to passengers in the form of higher ticket prices.

Although the Airbus report expects air fares to decline by about 1 per cent a year in real terms in the west this decade, it does not expect any fare reductions in Europe.

This is because the impact of air traffic liberalisation is likely to be offset by increases in airport taxes, fees and other airline charges to cover the cost of improving ground and air traffic control services.

Airport congestion and other costs are expected to hold down annual air traffic growth in Europe to 4.3 per cent during the next 10 years, according to the report.

This compares with a forecast of 4.9 per cent annual growth if air traffic liberalisation led to real fare reductions and higher flight frequencies in Europe.

Mr Peter Jost, Airbus's marketing and forecasting general manager, also warned yesterday that by the year 2000 one in every two air passengers would suffer a delay because of airport congestion.

By the end of the decade, 24 airports in Europe, 59 airports in North America and between 12-15 airports in the Asia-Pacific region would reach saturation point by being unable to accomodate any additional flight movements or frequencies.

These airports handle about 55 per cent of all passenger movements in the west.

Mr Jost said the 24 European airports could increase their capacity to handle more flights by about 20 per cent at most between now and the the end of the decade.

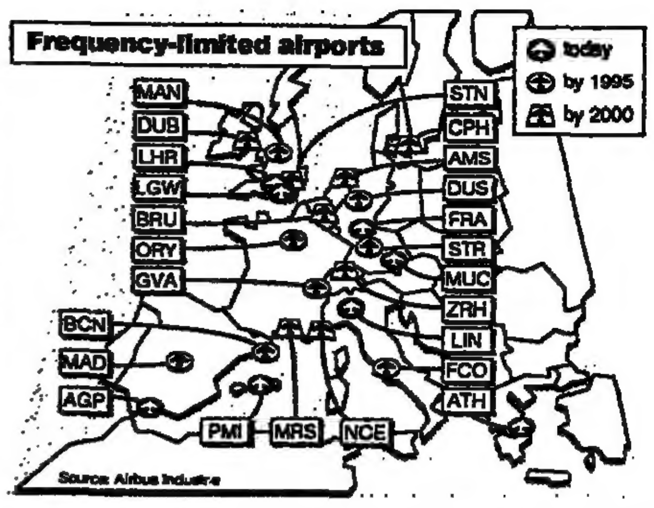
This would limit to 2.5 per cent a year the increase in the overall number of flight movements or frequencies at these airports.

The Airbus study expects to see new high speed rail links emerge as major alternatives to air travel in some parts of Europe. The report also says that high speed train systems will capture a part of the short haul air traffic of up to one hour flight time between densely populated urban areas, especially in northern Europe.

Mr Jost said air travel could lose about 6 per cent of traffic

Continued on Page 20

FAA rules could raise costs of running older aircraft, Page 6



Agreement to cut sea pollution marred by row on nuclear waste

By John Hunt, Environment Correspondent, in The Hague

NINE countries yesterday agreed on measures to reduce pollution in the North Sea, although Britain remained isolated over its insistence on retaining the option to bury nuclear waste under the sea bed.

The North Sea conference, at its closing session in The Hague, agreed to destroy all identifiable PCBs (polychlorinated biphenyls) by 1999 and to reduce the flow of nutrients such as phosphates and nitrates into the sea.

There will also be further reductions in the amount of hazardous substances and pesticides flowing into the sea through rivers.

Britain won a victory on its continued dumping of industrial waste and sewage sludge in the North Sea — it is the only country still doing so.

The conference "noted with pleasure" Britain's firm promise to end sewage sludge dumping by the end of 1998 and to cease industrial waste dumping by the end of 1992 with an extension into 1993 "only if absolutely necessary."

However, the end of the conference was marred by a heated dispute between Britain on the one hand and Holland, Sweden and Denmark over nuclear waste dumping.

Mr Chris Patten, UK Environment Secretary, insisted that Britain must keep the option to bury nuclear waste under the sea. He emphasised that the UK had no plans to use this method, but it wished to keep the option because the competent international authorities had not declared that it was unsuitable.

It was understood that the option referred was the burial of nuclear material from ships or structures at sea. Nirex, the nuclear waste executive, said yesterday that it had been looking at deep disposal methods on land or disposal under the sea from a land based tunnel.

Other countries attending the conference united against Britain and approved a declaration that the North Sea is not suitable for the dumping of radioactive waste nor for the disposal of such waste under the sea bed.

Britain inserted a footnote stating that it was unable to accept this wording. The matter will be raised again at a special North Sea conference in 1993 before the regular session in 1995.

Mrs Hanja Maij-Weggen, the Dutch Transport Minister, chairing the conference, argued fiercely with Mr Patten.

She was supported by Mrs Brigita Dahl, Swedish Minister of Transport and Mrs Lone Dybkjaer, Danish Minister of Transport. At one stage the meeting was broken off for five minutes for tempers to cool.

Mrs Maij-Weggen said all countries were very disappointed at Britain's attitude. Mrs Dybkjaer said: "We are very sorry and very angry. They are playng with all our lives."

It was agreed that PCBs, used for insulation in electrical transformers, should be completely destroyed by 1995, if possible, but by 1999 at the latest. They can meanwhile be kept in deep underground storage, a concession to West Germany which uses this method. The countries undertook to develop their own destructive facilities.

Nutrients in sewage, which cause algal blooms that can damage sea life, are to be reduced by biological methods - although other less costly methods can be used if they are proved to be effective.

It was also agreed that the input of various hazardous substances into rivers should be reduced by 50 per cent or more by 1995. Atmospheric emissions of various substances would be reduced by 1995, or 1999 at the latest.

Members will also aim for substantial reduction on the quantities of pesticides reaching the North Sea and by the end of 1992 to strictly control the application of pesticides and reduce where necessary their emission

A list of the most persistent toxic pesticides has been drawn up for special attention.

Nixon the statesman returns to old haunts

By Peter Riddell in Washington

"NEXT to Elvis he's the one I've wanted to see," one celebrity-gazer said as the crowd waited for the Second Coming of the 37th President of the United States.

Former President Richard Nixon was returning to his old haunts - the House of Representatives which he joined more than 43 years ago and whose judiciary committee voted to impeach him nearly 16 years ago.

But no one yesterday was so vulgar as to mention the Watergate affair which forced him to resign in 1974.

It was Nixon the elder statesman, the foreign policy sage, addressing 400 Republican House members, their wives and staff, before talking for a few minutes to his old friends in the media.

The old, familiar Nixon was on view, the ski-jump nose, the heavy jowls, the face more tanned than before, but alert and sharp as ever. He also smiled a lot, though he wiped his face with a handkerchief in a much-remembered nervous gesture.

Mr Nixon clearly loved the rapt attention with which he was received by the current generation of Republicans. Young staffers, barely at school when he resigned, warmly applauded.

Congressman Newt Gingrich, the Republican Minority whip, talked with awe of an

Continued on Page 20

Elders unveils plan for global reconstruction

By Chris Sherwell in Sydney

ELDERS IXL, the Australian group controlled by Mr John Elliott, is to sell or float off its non-brewing businesses and become a global entity called Foster's Brewing Group with expanded beer interests in the UK.

The long-mooted "unbundling" of one of Australia's largest international conglomerates was announced by Mr Elliott yesterday, and is one of the biggest corporate reconstructions in the country's history.

As expected, it includes a pubs-for-breweries swap still to be finalised with Grand Metropolitan, the UK drinks and restaurants group.

But GrandMet will not acquire a holding in Elders, apparently because the pubs arrangement - under which GrandMet will sell its breweries to Elders and the two companies merge their tenanted estates - might be jeopardised.

The core of the restructuring is the creation of Foster's Brewing through the sale of Elders Finance, 42 per cent-owned Elders Resources NZFP and various investments, and the handover of Elders Agribusiness to existing shareholders.

A key feature is that all Elders shareholders will receive an overall capital return equal to A$1.23 per share, made up of A$1 tax-free from distributions of surplus cash from the sale of assets and an effective 23 cents under the Elders Agribusiness offer.

This will relieve heavy financial pressure on Harlin, Mr Elliott's private company, which last year secured 55 per cent of Elders in a A$5.5bn ($4.2bn) takeover.

To the same end, Harlin aims to reduce its stake in Foster's Brewing to between 40 and 50 per cent.

Harlin also intends to sell down its entitlements to Elders Agribusiness. It said it was seeking one or more long-term shareholders in the new company, to be renamed Elders Ltd.

The pubs-for-breweries deal with GrandMet is designed to be cash-neutral.

Elders' 5,000 Courage pubs and GrandMet's 3,500 pubs will go into a 50-50 company called Inntrepreneur Estates, and the cash released will offset the cost of Elders acquiring GrandMet's Watney Truman Mann breweries.

Foster's Brewing itself will be a separate, single-purpose brewing company. It will be about the fourth largest in the world, have competitive positions in Australia, Canada and the UK, and be poised to expand in Asia, North America and Europe.

Harlin said it would propose Mr Elliott as chairman and Mr Peter Bartels, the current head of the Elders brewing group, as chief executive.

Lex, Page 30; GrandMet and Elders close to deal, Page 21

Cuba cuts off military aid for Nicaragua after Ortega defeat

By Robert Graham, Latin America Editor, in London

CUBA is to cut off military aid to Nicaragua as a result of the defeat of the Sandinista Government in last week's elections. Much of the Soviet Union's military equipment delivered to Nicaragua over the past decade has been supplied via Cuba, which has principally supplied military advisers.

The cut in aid was announced by President Fidel Castro, the Cuban leader, late on Wednesday in his first reaction to the victory of the US-backed coalition.

President Castro also bitterly attacked former allies in Comecon for supporting a United Nations resolution, encouraged by the US, that criticised Cuba's human rights record.

The resolution was backed by Bulgaria, Czechoslovakia, Hungary and Poland and was the first instance of Cuba's former communist allies turning against President Castro on an internal political issue in an international institution.

Cuba had been the closest regional ally of the Sandinista government since it gained power as a result of the revolution in 1979.

"It is inconceivable for us to maintain this military cooperation with a government which has shown its hostility to the Cuban revolution," President Castro said.

He said about 1,000 Cuban civilians were working in co-operation projects in Nicaragua, mostly in health and construction. He added there were "not many" Cuban military advisers. The number of Cuban civilian and military personnel has been scaled back considerably during the past five years from a one-time high of some 7,000.

Cuba had been giving Nicaragua some 90,000 tonnes of fuel each year, plus food to feed about 50,000 people on Nicaragua's Atlantic Coast. Some of this aid is expected to continue.

In the same speech President Castro bitterly attacked East European countries who had "fallen into the lap of the empire which is the enemy of mankind, the oppressor, the invader." Significantly, the Soviet Union did not vote against Cuba on the human rights resolutions at the UN.

Nevertheless, the Soviet press in recent days has increased the critical tenor of its reporting on Cuba and its human rights record as well as the growing discontent of the Cuban people.

On Wednesday, a correspondent for the liberal weekly, Moscow News, wrote that "from what I have seen, there is a switch from social apathy to a passive, if still very hidden discontent."

This is the most explicit criticism to appear in the press but it is not the first time Cuba has been mentioned in the context of slighting remarks. On January 30, the magazine New Times prefaced a long article on the island by referring to "worthies [who] are particularly given to monopolising the truth, absolutising dogmas and brushing away all criticism levelled against them."

The Soviet press has become increasingly critical of President Castro and his policies during the past few months.

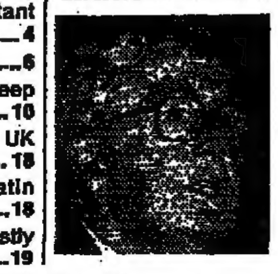
THE SOVIET UNION

The Soviet Union is in the throes of a social, political and economic revolution that may well be as far reaching as the 1917 October Revolution. On Monday March 12, a day after the fifth anniversary of Mikhail Gorbachev's ascent to power, the Financial Times will publish a survey on the Soviet Union.

This 20-page survey, one of the most ambitious yet mounted by the FT, took a team of six of its journalists across the length of the country, collaborating closely with the FT's staff bureau in Moscow. The survey will provide a provocative assessment of the problems and prospects for a superpower in turmoil.

CONTENTS

Colombia's ballot in the shadow of the bullet



As Colombians prepare for polls on Sunday, candidates are being bombarded with questions about cocaine and the guerrilla war. President Barco (left) has won praise, but the voters appear disillusioned. *Page 6*

MARKETS

STERLING
New York lunchtime:
$1.6490
London:
$1.6425 (1.6390)
DM2.7950 (2.7975)
FFr9.4450 (9.4525)
SFr2.4775 (2.4700)
Y247.75 (248)
£ index 87.7 (87.8)

GOLD
New York: Comex Apr
$401.9 (405.1)
London:
$401¼ (400)

N SEA OIL (Argus)
Brent 15-day Apr
$18.85 (19.20)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.69355
FFr5.7465
SFr1.5060
Y150.90
London:
DM1.7020 (1.7070)
FFr5.7500 (5.7675)
SFr1.5085 (1.5065)
Y150.80 (151.25)
$ index 68.1 (68.3)
Tokyo close: 150.83

US Lunchtime Rates
Fed Funds 8¼%
3-mo Treasury Bills:
yield: 8.162%
Long Bond:
99 5/32
yield: 8.572%

STOCK INDICES
FT-SE 100:
2,250.00 (+19.7)
FT Ordinary:
1,774.40 (+17.4)
FT-A All-Share:
1,116.74 (+0.8%)
New York lunchtime:
DJ Ind. Av.
2,672.97 (+3.38)
S&P Comp
337.26 (+0.31)
Tokyo: Nikkei
33,890.89 (+328.55)

LONDON MONEY
3-month interbank:
closing 15 7/32 (15)
Liffe long gilt future:
June 83 5/32 (83 5/32)

Bonn parties hijack East German elections

Nascent political groups have been swamped by their western 'allies,' says **Leslie Colitt**

HIGH on a new building rising at the intersection of Friedrichstrasse and Leipziger Strasse, a team of East Berlin workers have painted a campaign slogan for the forthcoming East German elections.

"We're voting SPD" (Social Democratic Party) the message reads against a background of the black, red and gold German colours. Two painters said it was the contribution of their work brigade at Ingenieur-Hochbau, the state building company.

The Social Democrats, the largest party in what is now East Germany before Hitler's takeover in 1933, were swallowed up by the Communists in 1946. Resurrected only five months ago at a clandestine meeting in a pastor's house outside East Berlin, they are now favoured to become the largest party in East Germany's first free elections on March 18.

However the latest opinion polls indicated their lead over the Christian Democrats may be shrinking.

Although staunch supporters of the SPD, the two painters, Mr Elias Eckhard and Mr Dietrich Schmidtke, were less than optimistic about their own prospects in a future market-oriented East German economy. "We are bleeding now and will continue to bleed. As lowly workers we won't get far," Mr Schmidtke said.

Paradoxically, interest in the election is greater in West Germany than in the East where campaigning has been extremely low-key. This has not prevented the parties from accusing each other of waging dirty campaigns. Election posters of nearly all the parties have been torn down and defaced and the SPD has accused the CDU of trying to besmirch it with the slogan "Socialism – never again."

Mr Helmut Kohl, the West German Chancellor, was roundly heckled by leftists at his rally in traditionally Social Democratic Magdeburg last Tuesday, provoking cries of "Communist swine" from his supporters. Mr Kohl claimed the hecklers were imported from West Germany.

Leipzig demonstrators demanding unification

Ms Jutta Bernhard, a hospital technician from Postdam, said many of her fellow citizens were confused and unable to choose between the parties. She was queueing last weekend to tour the former headquarters and detention centre of State Security (Stasi) in Potsdam. The grisly visit which attracted thousands of angry Potsdamers was organised by New Forum, the opposition movement which helped overthrow the old Communist leadership.

New Forum, however, was unable to build on the moral authority and the 600,000 signatories it had last autumn. The citizen's movement was swamped by the massive entry of West German political parties into East Germany.

It failed to realise until too late that most East Germans were not interested in preserving a separate state or identity.

In order to avoid a further loss of support New Forum joined with Democracy Now and the Initiative for Peace and Human Rights to form the centre-left Alliance 90. Even the candidacy of Mr Hans Modrow, the widely-respected East German Prime Minister, for the Party of Democratic Socialism (PDS), the successor to the disgraced Socialist Unity (Communist) Party, is unlikely to greatly improve its fortunes.

Mr Gregor Gysi, the PDS chairman, promised the party would protect citizens from the excesses of capitalism. But few East Germans trusted the PDS or the claim, based on its 650,000 party members plus their families, that it would gain between 12 and 15 per cent of the vote.

Massive support by the West German parties for their East German counterparts and the heavy presence of West German politicians at election rallies have given rise to charges of gross interference by Bonn in the election campaign. This was inevitable, however, as East Germans for decades were wholly oriented toward West German politics in the absence of a political choice in their own country.

A major factor in the strength of the East German SPD has been the active campaigning of Mr Willy Brandt, the former West German Chancellor who last Saturday was wildly cheered by a crowd of 70,000 in Erfurt 20 years after he went there as Chancellor to meet the East German Prime Minister, Mr Willi Stoph.

Next to Mr Brandt, Mr Ibrahim Böhme, the dapper 45-year-old historian and SPD standard-bearer, is a political lightweight. But he seems confident of becoming the first, and probably last, freely-elected Prime Minister of East Germany before unification.

Mr Böhme may lack political polish but he is tough-minded, a product of many years in opposition, including 15 months detention after leaving the Communist Party in 1976.

Even Mr Kohl, who rarely inspires crowds, was cheered by flag-waving East Germans at his previous election rallies in Erfurt and Karl Marx Stadt. His Christian Democratic Party, however, has had a much greater hurdle to overcome in East Germany than the SPD.

For more than 40 years, the East German CDU was a satellite of the Communist Party and is finding it difficult to shake off its past image despite the respected new chairman, Mr Lothar de Maiziere.

At the urging of Bonn, an Alliance for Germany was formed between the CDU and the other main conservative parties, Democratic Awakening and the German Social Union. The Liberal Democrats, another former ally of the Communists, also linked forces with the German Forum Party and the Free Democrats to form the Federation of Free Democrats which enjoys the active support of the Free Democrats in Bonn. Analysts agree that although the SPD is likely to emerge as the strongest party it will need coalition partners in order to govern. Even a Grand Coalition is not ruled out.

"The only party we all exclude from a coalition is the PDS which means that everything is possible," Mr Ulrich Winz, a spokesman for the CDU, noted. For their part, the Social Democrats are hopeful that a strong SPD in East Germany will tip the balance in favour of the opposition Social Democrats in Bonn whenever the first All-German elections are held.

East German enterprises look to the West

By Leslie Colitt, recently in Magdeburg

MR Frank-Detlef Wende, deputy general director of Sket, one of East Germany's largest engineering *kombinate*, or state-owned enterprises, believes firmly that East Germany can and must approach the coming union with West Germany on its own economic feet.

"We are wealthy enough to pay for the economic changeover ourselves," he says and adds that East Germany could offer 30 per cent of its state-owned assets as security to western banks to raise the capital needed for economic growth.

"I prefer this to economic unification which means giving this country to West Germany as a gift," he says. But the 38-year-old manager, who left the Communist Party only last month, says he also wants Sket to be prepared for the inevitable advent of the D-Mark.

The company's assets needed to be revalued and production costs slashed, he said. Plans had been drawn up for a radical reorganisation of the enterprise, which will inevitably include closing some production lines.

Mr Wende does not share most East German managers' enthusiasm for joint ventures with western companies and says Sket, with annual sales of East Marks 3bn, is technologically strong enough to stand on its own.

The company's order books are full until 1995, with two-thirds of sales earmarked for sale in Comecon countries. Half of these are to the Soviet Union, where 80 per cent of rolled steel is made on Sket equipment.

But Mr Wende says the Magdeburg company would be a natural partner for Western companies seeking to expand ties in the east. It has recently, for example, co-operated with Schloemann-Siemag of West Germany on technical development and financing for joint exports.

Sket – a German acronym for Ernst Thalmän Heavy Machinery Kombinat – is in better shape than most other East German kombinate. The enterprise has already been discussing with several western banks the possibility of taking out loans against its order book.

"Once we can get our property valued we will take the offensive in borrowing," Mr Wende says.

He does not see a need to sell off parts of the company as some weaker East German kombinate are being forced to, and adds that he even forsees investing in western companies as soon as Sket is able to use its assets to raise money.

Sket was recently the first kombinat to register its new trading arm as a joint stock company and the intention is to transform the entire Sket Kombinat into a joint stock company within weeks. Sket intends to sell 20 per cent of its shares to its 28,000 workers.

Mr Wende says managers in East Germany need to be idealists, since they do not work for the money.

Salaries need raising, he says, pointing out that Dr Klaus Oberländer, the General Director of Sket, earns the equivalent remuneration of a gate-keeper at a West German Volkswagen plant.

Rover in car venture talks with Bulgaria

By Kevin Done, Motor Industry Correspondent

ROVER Group, the UK car maker and a subsidiary of British Aerospace, has begun preliminary talks with Bulgaria about a collaborative car production venture.

Rover said it had been approached in early January by Vamo, a Bulgarian state-owned engineering group based in Tolbuhin in north-eastern Bulgaria, about setting up a car assembly operation for its Maestro car range.

A report by BTA, the Bulgarian news agency, which Rover described as "premature", said that Rover would set up a plant to make 7,500 Maestro five-door family cars a year by the end of 1991, rising to 50,000 a year by 1994.

The report said that Rover planned to set up production lines and provide training. The cars would be sold locally.

Bulgaria has only a minor car assembly industry centred on the production of 14,000-15,000 Soviet Moskvich cars a year. The country has previously had negotiations with Renault of France about modernising facilities.

East German banking reform

By Katharine Campbell in Frankfurt

A TWO-TIER reform of the East German banking system was approved by the Volkskammer (parliament) this week but it represents no more than an interim stage before West German and foreign banks can open branches in the east, and the central bank is subsumed in the course of currency union with the West.

The reorganisation prescribes a split in the old structure – a monolith with 40,000 employees that has acted both as central bank and as the country's commercial lending institution.

The new central bank (still called the Staatsbank) will be fully independent from the government, like the West German Bundesbank. It will run monetary policy, carry out a simplified minimum reserve system and assume responsibility for banking supervision, according to officials.

Meanwhile, the commercial banking operations of the old Staatsbank will be reorganised into a new entity called Deutsche Kreditbank.

KGB says it is ready to defend socialist system

By John Parker in Moscow

THE KGB has told the Soviet parliament that it would be willing to "act in the interests of the people [to] protect the security of the socialist system".

The warning was relayed yesterday in Moscow by a new independent news agency, Postfactum. The agency quoted a leading parliamentary reformer, Mr Anatoly Sobchak, who said that the KGB's message had been circulated recently among members of the Supreme Soviet, the country's permanently-sitting parliament.

It comes just before a special session of the Congress of People's Deputies, the country's super-parliament, which is due to meet on Monday to discuss proposals for sweeping new presidential powers. And it appears on the eve of a plenary session of the Communist Party's Central Committee, which meets at the weekend to discuss new rules governing the party's conduct once the constitutional guarantee of its monopoly powers is abolished.

The warning was not signed by Mr Vladimir Kryuchkov, the KGB chief, and appears to contradict his recent attempts to rid the security police of its old image as an instrument of political repression.

In the past few months, Mr Kryuchkov, usually regarded as an ally of President Mikhail Gorbachev, has tried to portray the organisation as a bastion against crime, corruption and foreign subversion.

However, according to the news agency, the warning was issued by the KGB's central office and its language suggested that the KGB's worries coincide with those of the more extreme Russian conservatives who have accused Mr Gorbachev of tolerating anarchy and pandering to liberal groups. The message said the Government was "gambling on glasnost".

Bonn sets DM6.5bn 'unity costs' budget

By David Goodhart in Bonn

THE West German Bundestag yesterday passed a supplementary budget, raising public borrowing for the year by DM6.5bn (£2.3bn) to DM33.5bn to cover the cost of developments in East Germany.

The Government continues to insist that tax increases are not required but the Bonn Finance Ministry does not rule out still higher public borrowing in the event of a rapid move towards unity and some economists believe that borrowing could rise to at least DM40bn this year.

Most of the extra costs to date have come from public building works and grants for the wave of German immigrants into West Germany.

The Finance Ministry said that every 100,000 new immigrants from East Germany cost about DM600,000 a year and every 100,000 new immigrants from other parts of Eastern Europe cost DM1.3bn.

The immigrants are, however, also contributing to faster than expected economic growth which should, through higher tax revenues, contribute to carrying the extra costs.

Economic growth will not, as expected, slow slightly this year but will match last year's 4 per cent growth rate, according to the latest survey of the DIHT, the national organisation of Chamber's of Commerce.

This view appears to be supported by strong trade and industrial output figures for January. The trade surplus, which reached DM134.7bn last year, is expected to narrow sharply this year as domestic consumption is boosted by tax cuts and the inflow of East Germans. But in January it rose to DM12.8bn, from DM10bn in December. Industrial production was up 1.7 per cent on December.

The one apparent counter-signal comes from industrial orders, which fell 5.5 per cent in January. A correction from December's unusually high figure had been expected but its sharpness took some economists by surprise. Mr Giles Keating, London-based economist at Credit Suisse First Boston, said that the orders fall may be another sign of a squeeze on capacity.

NEWS IN BRIEF

Yugoslavia to sign IMF restructuring agreement

YUGOSLAVIA would next week fulfill the precondition for Western government aid by signing an agreement with the International Monetary Fund on terms of economic restructuring, Mr Ante Markovic, the Yugoslav Prime Minister, said yesterday, writes David Buchan in Brussels.

After talks with Mr Jacques Delors, the Commission president, the Yugoslav leader said his country, which has had associate status with the EC for a decade, deserved special aid because it had already made considerable effort to cut foreign debt and build up reserves.

Mr Abel Matutes, a member of the 17-person college of European Commissioners, is to lead a high-level delegation to Yugoslavia in the next month to assess the country's needs before the June ministerial meeting of the Group of 24 western aid donors.

Of the five new East European applicants for aid from the EC and other members of the Group of 24, Yugoslavia last month put in the steepest demands, asking for $500m to help recapitalise its banking system and $1bn in medium term economic aid over the next three years, one third of it on favourable terms from the EC budget. Brussels is only earmarking an extra Ecu500m spending for all five East European countries.

Austrian-Yugoslav venture

Oesterreichische Laenderbank, Austria's fourth-largest commercial bank, said it is founding Yugoslavia's first joint venture bank with the Slovenijales trading concern, Reuter reports from Vienna.

Laenderbank said it signed a preliminary contract in Ljubljana with its new partner, a Yugoslav trading house which represents several international concerns on the Yugoslav market as well as making and selling wood products.

Oracle opens up in Moscow

Oracle Corporation, the leading supplier of database management software and the third-largest software company in the world, said it is opening offices in Moscow and Vienna to support growing demand for its products in Eastern Europe, writes Louise Kehoe in San Francisco.

The company said that it has made several sales in Hungary, Poland, Czechoslovakia and the Soviet Union over the past few months to reorganised government institutes and to private companies.

Mr Yury Parad, newly appointed managing director of Oracle east Europe, said he expects to be able to win several millions of dollars worth of orders this year.

Until recently, export control restrictions have prevented Oracle from selling in the Eastern Bloc.

VW plans East German car investment

Volkswagen, the West German car maker, said that its East German partner, the Kombinat Personenkraftwagen, plans to announce details of a joint automobile venture on Monday at the Leipzig Fair, writes Kevin Done in London.

Mr Carl Hahn, VW management board chairman, has said that VW is planning an initial investment of around DM5bn in the joint venture to build a successor to East Germany's Trabant.

Greece warned of economic crisis by IMF

By Kerin Hope in Athens

A CONFIDENTIAL report on the Greek economy by the International Monetary Fund warns that this year's public sector borrowing requirement will exceed 22 per cent of GDP unless stabilisation measures are quickly adopted.

Long-overdue structural reforms must be implemented with determination by the government that emerges after the April 8 election in order to avoid a repeat in the 1990s of Greece's weak economic performance in the past decade.

Similar warnings that an economic crisis is looming have come from the Organisation for Economic Co-operation and Development and the European Commission in recent weeks.

The preliminary IMF report was handed to the government after the team completed its annual examination of the Greek economy last month.

Its findings contradicted assertions by the all-party coalition Government that last year's record PSBR of 21.5 per cent would be cut by 3 percentage points in 1990 through price rises, a freeze on hiring in the public sector and spending cutbacks.

The report called for a broad-based austerity package which would include wage ceilings and a drastic overhaul of the heavily indebted state pension system. On the revenue side, indirect taxes should be raised and the fiscal system reformed so as to reduce tax evasion and broaden the tax base.

If such measures are applied strictly, the PSBR could be shrunk by 4 percentage points of GDP in the first year, and 2 percentage points in each of the two following years.

However, the report noted that the interim budget prepared by the coalition runs out in April. It will be up to the next parliament to approve a new budget for the rest of 1990.

The outgoing Prime Minister, Mr Xenophon Zolotas, a former central bank governor, said last week that "draconian measures" would be needed to rescue the economy. He accused the three political parties in the Government of undermining his efforts to curb the public sector deficit for the sake of short-term political gains.

A Soviet woman in Moscow demonstrates against poverty

Moscow fails rights test

FIVE out of six conditions set by the British Government for its attendance at next year's human rights conference in Moscow remain unfulfilled, according to a group of eight "Eminent Persons" from Britain who visited the Soviet Union last month, writes Edward Mortimer.

The group, organised by the Student and Academic Campaign for Soviet Jews, said the one condition that has been met is Soviet citizens are now free to monitor the observance of human rights. In the other five areas it concluded:

- Freedom to emigrate is still not guaranteed. The number of Jewish emigrants has vastly increased, but some who have been waiting 10 years or more for permission to leave are still waiting.
- Jews are still the object of discrimination in access to education and employment.
- Many religious and cultural activities, notably religious teaching, remain illegal.
- There are still some 130 prisoners of conscience.
- New laws promised to protect human rights have still not been promulgated.

Portugal braces for a glossy birth

A new daily is set to swell bustling newstands, writes Patrick Blum

MONDAY'S launch of Publico, a slick nationwide daily newspaper with simultaneous editions in Lisbon and Oporto, is the latest and most ambitious venture yet in Portugal's fast expanding private press. With this year's planned privatisation of two state-owned newspapers and the end of the government television monopoly, it is unlikely to be the last.

The Portuguese media has been lately seen a dramatic increase in the number of newspapers, magazines and private radio stations. But the euphoria accompanying many of the newcomers turned sour after several failed almost as fast as they were launched.

Publico, the brainchild of a group of journalists and of Mr Belmiro de Azevedo, an aggressive northern entrepreneur who provided the finance, came close to failure itself even before its launch. After an extensive and glossy publicity campaign, the paper was to appear on the newstands on January 2. Serious problems with new and untried technology, forced the launch to be indefinitely postponed, to the delight of rival newspaper owners.

A land of 10m people, Portugal has 11 daily newspapers, 10 national weeklies, excluding numerous smaller local papers, and a proliferation of magazines covering everything from fashion to sport, the arts and business.

Competition for readers and advertisers is fierce and costs have risen as newcomers seeks to attract to the best journalists. But after two months of uncertainty and raids on other newspapers for top journalistic talent, Publico's journalists are relieved that the project has finally got off the ground. Mr Jose Manuel Fernandes, one of three assistant editors, is confident of success. "If the response (from readers and advertisers) is as good as it has been so far, there will not be any problems."

Some 120,000 copies will be printed for the launch issue and an eventual print run of 80,000 is envisaged, with sales of around 64,000. This would make Publico one of the largest Portuguese dailies, close to the populist Correio da Manha and Jornal de Noticias, which sell around 70,000 each.

"We are the only first truly national daily newspaper," Mr Fernandes says. Others remain predominantly regional in sales, he explains. The private Correio da Manha or the greyer state-owned Diario de Noticias, both based in Lisbon, dominate in the centre and south, while the Oporto based popular Jornal de Noticias, also state-owned, and the business Comercio do Porto have almost all their sales in Oporto and the north. Publico is hoping to break these traditional regional barriers.

The Portuguese newspaper industry has come a long way since 1975 when the state nationalised bulk of it. In the decade and a half since, the privately-owned press has once again become the dominant force. But it has not been easy.

Expresso, a respected weekly launched shortly before Portugal's revolution was almost alone in weathering those tumultuous days. It prospered as others closed their doors. During the seventies, several attempts were made to launch new newspapers, but many were established for political purposes and failed. The first national daily launched about 12 years ago with clear commercial rather than political objectives was Correio da Manha.

The past three years saw the launch and collapse of Europeu, a national daily, and the relaunch of O Seculo, a daily founded at the end of the last century which had closed in the seventies. Poor management and marketing and fast accumulating losses forced closure of the paper and of two associated publications, O Seculo Ilustrado and Vida Mundial within a year. O Jornal do Comercio, a business daily which had also collapsed in the seventies was relaunched in 1987 as a weekly, but closed again two and a half years later.

Other notable launches included the weeklies O Independente and O Liberal, Semanario Economico, a business weekly, which went daily as the Diario Economico last October. O Liberal faces closure and its journalists are seeking to raise funds for its survival, Diario Economico is reported to be having financial problems.

After the end of the Government's quasi-monopoly of radio in 1988, dozens of new private local stations sprang up. Until then, apart from the state-owned and run RDP, the only private station was Radio Renascenca owned by the Roman Catholic Church. Since then there has been a blossoming of new stations, though the Government still resists further demands for nationwide networks.

Private television is likely to be the next battlefield among corporate groups. The Government has said that it will allow two national private channels and large private groups are already gearing themselves to fight for the franchises.

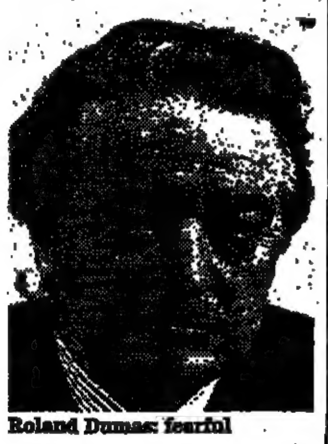
The result of all this activity is likely to be a further radical restructuring of Portugal's media industry. The clock has gone a full circle since 1975.

Anger as Euro-MPs hanker for Brussels

By Tim Dickson in Brussels

FRESH signs that the European Parliament urgently wants to make its permanent home in Brussels have sparked off a furious response from the French and Luxembourg Governments.

In separate statements this week both have reminded MEPs that any change to existing institutional arrangements – full sessions once a month in Strasbourg, committees and political groups in the Belgian capital, the secretariat general's headquarters in Luxembourg – is strictly a matter for the EC's 12 member states and not for the elected representatives themselves.



Roland Dumas: fearful

The latest twist in what has already been a long running triangular "tug of love" follows the apparent speeding up of plans spearheaded by Mr Enrico Vinci, the Parliament's secretary general, to proceed with new office development in Brussels and to consider taking an option on the international conference centre being erected in the city. The Parliament's enlarged bureau – which groups representatives of all the political groups – may even make a formal proposal on this next week.

Fired by national pride and financial self interest France and Luxembourg have long been doing their best to thwart what they see as a well laid plot to halt the monthly exodus and increasingly centralise Parliament's activities in Brussels. Both, however, seem to be showing a new determination, some might say desperation.

Strasbourg, for example, has been making its own at times comic efforts to woo the MEPs with colour TVs and personal fax machines but the seriousness with which the issue is being viewed in Paris was underlined by Mr Roland Dumas, the French Foreign Minister at Monday's EC Council meeting in Brussels. In a debate ostensibly on the siting of the EC's proposed new Environment Agency, Mr Dumas said pointedly that the member states should first reaffirm their commitment to existing institutional arrangements.

As the Luxembourg Government spelt out more clearly in a rare public statement on the subject on Wednesday the three cornered compromise on the Parliament is established by an inter governmental Treaty of 1965(which was confirmed in 1981). Member states, it added, can only overturn this by unanimity.

Luxembourg is currently taking legal action to challenge the steady trickle of secretariat staff to Brussels – 600 out of the 3,300 strong bureaucracy have already gone in what one diplomat disdainfully calls "this erosion process". The Court's previous rulings on the Parliament have been ambiguous to say the least but in reality a long term solution will only be found through political bargaining and compromise.

If nothing else those visionaries particularly in the European Commission who think that two of the Parliament's three feet can be easily chopped away – with French and Luxembourg pride easily assuaged should have been shaken out of their complacency.

Thousands of ethnic Turks return to Bulgaria

By Jim Bodgener in Ankara

ETHNIC Turks and Moslems who have fled past discrimination in Bulgaria have not always found life easy across the border in Turkey and some are deciding to make the journey back to their former homes.

So far, about one third have gone back out of the 330,000 who came across to Turkey since the flood started last May to escape the forced assimilation policy of the former regime in Sofia.

But of that third, only 16,000 have gone back since the decision in December by the Bulgarian Communist Party to restore ethnic rights.

Reasons for returning are varied, though commonly to reunite families divided by the exodus.

The restoration in principle of the names of more than 1m ethnic Turks and Moslems in Bulgaria, approved by the Bulgarian parliament on Monday, has been welcomed by Turkey, but Ankara still has misgivings. Of especial concern is the lowering of the age of individual responsibility in applications to the courts from 18 to 14 years.

- Turkey plans to change its privatisation rules to ease sell-offs to foreign investors, a senior treasury official said, Reuter reports from Ankara.

The Government decided to scrap the local investor priority in privatisations in a move to free two block sales to foreign investors suspended by an Ankara court this year, said an official.

The court decided the block sales of a majority stake in a state-run air caterer to a Scandinavian Airlines System (SAS) subsidiary, and five cement plants to French Société des Ciments Francais (SCF), were against existing rules.

THE FINANCIAL TIMES (EUROPE) LTD
Registered office: Number One, Southwark Bridge, London SE1 9HL.
Company incorporated under the laws of England and Wales.
Chairman: D.E.P. Palmer.
Main shareholders: The Financial Times Limited, The Financial News Limited.
Publishing director: B Hughes, 168 rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629
Editor: Sir Geoffrey Owen.
Printer: SA Nord Eclair, 15/21 rue du Caire, 59100 Roubaix Cedex 1.
ISSN: ISSN 0174/7363 commission paritaire no 67808D.

Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335

Jerusalem remains key obstacle to peace talks

By Hugh Carnegy in Jerusalem

AMONG the many formidable obstacles littering the path to peace between Israel and the Palestinians, Jerusalem looms as one of the most intractable. Suddenly it has also become the most prominent as two separate - though related - issues have combined to thrust it into the spotlight.

The most startling to Israelis were public comments by Mr George Bush, the US President, and Mr James Baker, his Secretary of State, making clear their opposition to Jewish settlement of Jerusalem districts annexed by Israel after the 1967 Six Day War, as well as settlement of the West Bank and Gaza Strip, occupied in the same war.

Their remarks spelled out conditions for US aid for the absorption of thousands of Soviet Jewish emigrants in Israel.

They reiterated the standard US - and international - refusal to recognise Israel's extension of Jerusalem's boundaries into former Arab-held territory after it captured the previously divided city in the 1967 conflict.

But there was widespread condemnation in Israel where control over all Jerusalem, including 120,000 Jews living in strategically-placed annexed suburbs such as Gilo and Ramot, is now taken virtually for granted as an irreversible "established fact".

A meeting of the municipal council, headed by Mayor Teddy Kollek and including left-wing, right-wing and religious parties, assailed the US Administration for questioning the status of such areas.

The row has added resonance because it overlaps US efforts to draw the divided Israeli coalition Government into opening peace talks with the Palestinians.

A key issue here is the proposal that representatives of the 140,000 Arabs who live in Jerusalem be included in the negotiations.

The Jerusalem Palestinians live in the eastern half of the city which was under Jordanian rule until 1967. Most maintain Jordanian citizenship and reject Israeli citizenship. None have stood for city council seats.

Although most oppose a redivision of the city, they demand at the very least a joint administration which would allow Jerusalem to be the capital of a Palestinian state as well as Israel. Despite the population of the eastern sector growing to 120,000 Jews since 1967, Israel expects about 100,000 Jews from the Soviet Union this year and up to half a million in the next five years under the open door policy of Moscow.

● Jerusalem city council said yesterday that it was examining potential sites in Arab east Jerusalem for thousands of new flats for the city's growing population and for Soviet Jewish immigrants, Reuters reports.

The search is being made in the midst of controversy both over the city and over a massive influx of Soviet Jews.

President Bush's opposition to Jewish settlements in the West Bank and East Jerusalem, provoked Israeli Prime Minister Yitzhak Shamir to call for as many Soviet Jewish immigrants as possible to be settled in Jerusalem - East and West.

Mayor Kollek has also urged Jews from the Soviet Union to settle in both sides of the disputed capital in defiance of Washington, Israel's closest ally.

The Hebrew-language Haaretz daily reported yesterday that city officials were secretly planning a new Jewish neighbourhood on Mount Hahoma in East Jerusalem.

The area is located between the Arab village of Sur Bahir and the occupied West Bank town of Bethlehem on territory captured from Jordan in the 1967 Middle East war.

"The Mount Hahoma site is one of several that is being considered. There are no developed plans for this site. It is only in a very preliminary stage," city spokeswoman Bonnie Boxer said.

She said Mount Hahoma was Jewish-owned but she did not have details.

The municipality was examining building sites mainly in East Jerusalem because the Jewish western sector was already heavily congested.

"The population is growing. Last year the Jerusalem school system had 4,000 more students than the year before," Ms Boxer said. "We also hope a large number of Soviet Jews will move to Jerusalem."

About 10 per cent of the recent Soviet newcomers have settled in Jerusalem, but the Israeli figures do not distinguish between East and West sides of the city.

Hawke offers A$770m election sweetener

By Chris Sherwell in Sydney

MR Bob Hawke, fighting for a record fourth term as a Labor Prime Minister, yesterday derided his opponents as an irresponsible party of privilege when he formally launched his party's campaign for re-election on March 24.

Delivering what he called a "message of confidence" in surprisingly sombre terms in Brisbane, he declared Labor was a government of realism and opportunity, with "the plans, the vision, the guts and the leadership" for the future.

"I know that we have had to take hard and unpopular decisions for difficult times," he said. "But I also know that I would not be fit to lead our great country if I had chosen the easy, popular way at the cost of the nation's future."

Despite this, he announced A$770m (£355m) in new spending measures on child care and on education and scientific research, saying of the latter that Australia could not just be the Lucky Country, it had to become the Clever Country.

The measures come on top of Labor's cornerstone package of wage rises, tax cuts and superannuation measures unveiled at the start of the campaign last month, and a new export incentive scheme revealed last week. Promised moves on the environment are still to come.

In a pronouncement which may surprise financial markets, Mr Hawke claimed Labor had "already done much of the hard work, laid the enduring foundations, taken many of the tough decisions in the 1980s." Only Labor, he added, could make the continued and united effort to create a more secure future.

He castigated the opposition Liberal and National party coalition for making "A$6bn in unfunded promises" in its campaign, and for seeking to govern without a wages policy. He also accused the coalition of threatening Labor's superannuation plans, and condemned its proposals to replace the capital gains tax and alter the Medicare system. The proposals, he said, underlined the choice between opportunity and privilege which represented the "great divide" between the two sides.

There was a "profound difference" between them over goals for the nation and over a range of specific issues, including taxation and industrial relations.

The coalition's "breathtaking irresponsibility" on wages would "give us the law of the jungle, where the rich, the powerful, the groups with most industrial muscle would grab the big but short-term gains," he claimed. "A system that is fair for all would be replaced by a free-for-all."

He alleged the coalition would "dismantle" Medicare, and through its capital gains tax change would "shovel" billions for education, health and roads back into the pockets of less than 1 per cent of taxpayers.

In response, Mr Andrew Peacock, leader of the coalition, called Mr Hawke's speech a "disgrace" for failing to confront Australia's serious economic problems.

Mr Hawke and his wife, Hazel, launching Labor's campaign in Brisbane yesterday

Labor wins reluctant Green endorsement

Chris Sherwell assesses the impact of environmental issues on the Australian election

AUSTRALIAN ELECTIONS

NEXT TO economic problems, only one issue is expected to have a decisive influence on Australia's federal election on March 24: the environment.

That, at least, is the view of the ruling Labor party, which is seeking a record fourth term, and that is why it has so avidly courted the "Greenies" among Australia's myriad special interest groups.

Mr Bob Hawke, the Prime Minister, delegated this tricky task to Mr Graham Richardson, a well-known and shrewd "numbers man" on the Labor right whom he made Environment Minister after the last election in 1987.

To hear Mr Richardson, he experienced a near-conversion as he got to grips with the issues and dealt with people like Mr Bob Brown from Tasmania, Australia's original "Greenie" activist turned parliamentarian, and Mr Philip Toyne, head of the influential Australian Conservation Foundation (ACF).

Others, even some ministerial colleagues and party backbenchers, are more cynical about Mr Richardson's motives. Whatever the case, his - and Labor's - political timing and tactics were remarkable.

Internationally, public concern grew rapidly over the so-called "greenhouse" effect, the burning of the Brazilian rainforests, the hole in the ozone layer and such incidents as the Exxon Valdez oil spill in Alaska.

At home environmentalist sentiment for the first time caused people to change their vote: in Tasmania, a handful of "Greenie" independents helped put Labor into power after the local Liberal party government lost ground in a state election.

Reflecting Mr Richardson's clout, Labor made a series of controversial political decisions designed to prove Labor's "Green" credentials and attract the environmentalist vote.

Abroad, it reversed its position and supported an outright ban on mining in Antarctica, pushed strongly for a halt to driftnet fishing, signed the Hague declaration on the atmosphere and appointed a former governor-general as Ambassador for the Environment.

On the home front, it built on its 1983 stand against the damming of Tasmania's Franklin River and repeated its then-controversial use of the federal government's external affairs powers to make changes being rejected by state-level governments.

The changes included the protection of tropical rainforest in northern Queensland and of vast forest areas in central Tasmania. There were also prohibitions on sand mining in certain areas, attempts to curb logging and woodchipping in south-eastern New South Wales and massive tree-planting and soil recovery initiatives.

More controversially, Labor stuck to its contradictory three-mine uranium policy, halted a A$1bn pulp and paper mill and prevented a gold mine going ahead near Kakadu national park. Separately, Labor's state government in Western Australia caused the cancellation of a monazite plant.

These decisions exposed a major inconsistency in its strategy: if the country's best chance of reducing its current account deficit and external debt - which Labor insists is its principal goal - lies in developing export-oriented resource-based processing projects, why was it so obviously discouraging them?

Unsurprisingly, this fundamental weakness left Australia's business community feeling badly alienated, and they openly accused Labor of political expediency. Worker groups such as loggers were also hurt.

But Labor's main game is power: it saw little electoral disadvantage in losing business support, and hoped to compensate for the noisy complaints of a few workers by gaining wider support from urban voters concerned about the environment.

On Tuesday, Mr Richardson's prodigious efforts bore fruit. The ACF, together with the Wilderness Society, formally endorsed the strong pro-environment policies of the minority Australian Democrat party, and then urged voters to give their second preferences to Labor.

Given that both Labor and the coalition are suffering hefty desertions, the electoral consequences of the Green groups' recommendation are expected to be significant. In Australia voting is compulsory, and voters are obliged to indicate their preferences among those seeking office. To win, candidates must gain 50 per cent of the vote, and in most seats few achieve that on first preferences alone.

As a result there is a distribution of losing candidates' second or even third and fourth preferences, all of which have the same value as first preferences. Although it is the voters and not the parties which decide the destination of the preferences, the guidance they receive can be crucial.

Despite being more disposed to economic development than Labor, the coalition has strongly defended its own position on the environment, citing its successful initiatives to protect the Great Barrier Reef and Uluru (Ayer's Rock), promising increased funding for soil conservation and help to clean up Sydney's sewerage and beach pollution.

It has also pointed out the differences within the Labor government, especially between Mr Richardson and Mr John Kerin, the Primary Industries Minister. If Labor wins, these are battles which will worsen, particularly if new environmental battlefronts like tourism appear and Australia's economic problems deepen.

Thailand to increase bank rates ceiling

By Peter Ungphakorn in Bangkok

MR Chavalit Thanachanan, the new governor of the Bank of Thailand, announced yesterday that maximum lending rates will be raised next week in order to keep inflation within the 6 per cent target set for this year.

The announcement ends months of conflict between Mr Pramual Sabhavasu, Finance Minister, and the Bank of Thailand whose economists want to keep credit expansion in check and to encourage savings to keep pace with the rapidly expanding investment.

The governor did not disclose what the increase would be, but central bank sources say the mandatory ceiling would be raised 2 percentage points to 17 per cent, with a possible lower ceiling for mortgages.

In December, Mr Pramual threatened to resign if his Cabinet colleagues forced him to accept an increase in the lending rate ceiling.

Ironically, Tuesday's sacking of the former governor, Mr Kamchorn Sathirakul, seems to have made the interest rate increase possible. Mr Kamchorn was criticised by bank officials for failing to press hard enough on this and other issues.

Economists fear inflation could undermine the competitiveness of Thailand's export-driven economy as well as affect living standards.

Some economists believe the GDP deflator shows that Thai competitiveness is losing more ground than the consumer price index suggests. One estimate puts last year's deflator at 11.2 per cent, with 9.6 per cent forecast for this year.

Central bank economists attribute inflation to Thailand's rapidly expanding economy which may grow by 10 per cent or more for the third consecutive year this year.

The Bank of Thailand has tried and failed to persuade commercial banks to rein in their lending.

The target annual rate of credit expansion is about 24 per cent. At the end of January the actual rate was 31.5 per cent and deposits had only grown by 28.7 per cent.

US bans fresh aid for 'undemocratic' Sudan

THE US Government banned further aid to Sudan from February 28 because its leaders, who took power in a bloodless coup last June, have not restored democratic government, a US official said yesterday.

Mr John Riddle, a spokesman for the Agency for International Development (AID), said the ban went into effect against Sudan on February 28 because of a law prohibiting US aid to any coup government that has not restored democratic rule within eight months of coming to power.

Mr Riddle said new US aid to Sudan had already been prohibited because of another law prohibiting aid to countries behind in interest payments on US loans.

He said the bans apply to all $60m in US economic and military aid allocated to Sudan this year except humanitarian assistance. It does not apply to small amounts of US aid to Sudan approved earlier that have not yet arrived.

Najibullah says bombing killed 25 Kabul civilians

THE Afghan President, Mr Najibullah, said yesterday that 25 civilians had died and more than 150 were wounded when air force rebels bombarded the capital for 20 hours in a coup attempt, Reuter reports from Kabul.

Mr Najibullah parried reporters' questions on whether he knew the whereabouts of his sacked Defence Minister, General Shahnawaz Tanai, who led last Tuesday's coup attempt.

He said loyalists had recaptured Gen Tanai's stronghold of Bagram military air base, north of the capital.

With fighting having ceased in the capital, about a dozen Soviet Ilyushin transport planes, which supply ammunition, food and fuel to the government, flew into Kabul airport, which reopened yesterday.

Mr Najibullah, backed by loyal forces, appeared yesterday to have driven the rebels away from the capital, but intense fighting is reported around the Bagram air base.

Afghan mujahideen guerrillas, taking advantage of confusion following this week's coup attempt, have opened talks for the surrender of a major government garrison, a senior Pakistani official said on Thursday.

Pakistan's top foreign ministry official Tanvir Ahmad Khan said mujahideen guerrillas had closed in on the eastern garrison of Khost, which they have been trying to take for years.

Congress leaders visit Kashmir

By K.K. Sharma in New Delhi

AN ALL-PARTY delegation, which included Mr Rajiv Gandhi and other Congress leaders now in opposition, yesterday flew to Srinagar to assess the situation in the curfew-bound capital of Kashmir and other parts of the state.

The visit came as security forces patrolled Srinagar amid continued violence following a call by the militant Jammu and Kashmir Liberation Front (JKLF) for mass demonstrations during the visit.

Reports from Srinagar said shooting between the militants and security forces started in the capital when the curfew was relaxed for five hours early in the morning. There were also bomb explosions. At least one person was killed and several injured.

The delegation went to Srinagar after Mr V.P. Singh, India's Prime Minister, held two days of talks with leaders of all opposition parties on the deteriorating situation in Kashmir, where militants are seeking secession from the Indian Union.

The talks have been welcomed by all parties, but they revealed wide differences on how to tackle the issue.

Mr Gandhi and his Congress followers and leaders of the Marxist and Communist parties were highly critical of the lack of a political initiative.

A unit of Bophuthatswana's South African-trained security forces patrolling the area of Garankuwa in an armoured car yesterday

Homeland troops open fire on protesters

TROOPS fired on protesters yesterday and dispersed crowds with whips and tear gas in Bophuthatswana as unrest continued to spread through South Africa's black homelands, Reuter reports from Garankuwa.

Soldiers and police in armoured personnel carriers and trucks opened fire with assault rifles to stop crowds forming in the Garankuwa area, eyewitnesses said, while police used whips on demonstrators. There were no immediate reports of casualties.

Bophuthatswana, which has about 2m residents, lies north of Johannesburg and is divided into seven scattered fragments in northern South Africa. At least seven people were killed on Wednesday when police opened fire on a protest of some 50,000 people who marched to demand that the nominally independent territory be re-integrated into South Africa. The crowd also called for the resignation of the territory's President, Mr Lucas Mangope.

Mr Mangope, who yesterday rejected the demonstrators' demands, has declared a state of emergency in parts of the homeland. South Africa said its security forces were assisting local forces in the homeland and that the South African Defence Force was ready to send in troops to bolster the government.

But it denied reports quoting Mr Pik Botha, the Foreign Minister, as saying troops had arrived in the homeland.

South African troops last entered Bophuthatswana in 1988 to crush a coup attempt against Mr Mangope.

Last weekend, Pretoria sent soldiers to the coastal homeland of Ciskei to quell violence by mobs celebrating a coup that toppled the 18-year rule of the President, Mr Lennox Sebe.

South African police have this week reported a "tremendous escalation of unrest, especially in the homelands but spilling over into South Africa". A senior police officer, General Herman Stadler, said the violence was similar to a nationwide revolt against white rule in 1984-86. More than 200 people have been killed in growing violence in townships and homelands in the past five weeks.

President F.W. de Klerk has said violence in the homelands threatened to undermine his reform plans because a nationwide state of emergency would have to remain in force to keep it under control.

Lifting the three-year-old emergency is a key pre-condition for constitutional negotiations demanded by the African National Congress.

China fears Taiwan move to reform

A BITTERLY contested presidential election battle, now under way in Taiwan, has upset authorities in China, who fear the island may be moving towards a formal independence from the mainland, writes Peter Ellingsen in Peking.

In an unusually harsh attack, China's Xinhua news agency lashed out at the Kuomintang Government in Tapei, claiming it had allowed "political and social instability" to flourish.

Xinhua, quoting an unnamed authoritative source, said Peking was "deeply concerned" over the way Tapei had "shielded and indulged ... the forces of Taiwan independence".

Forty years after the island split with the Communist mainland, Peking still regards Taiwan as part of China, and has yet to rule out military intervention as a way of uniting the two.

Following the death of General Chiang in 1975, and the lifting of martial law in 1987, however, the nationalists have been experimenting with political reform.

They are now in the middle of a free election debate in which cries of independence are prominent.

Claiming Tapei's vigorous election campaign for president and vice president had produced a crisis, the agency's source accused the Kuomintang leadership of "political irresolution, economic disorder and deteriorating social order".

It lashed out at Tapei's so-called "elastic diplomacy", which in recent years has seen the wealthy island establish sovereign style links with other nations, often in exchange for generous loans and trading privileges.

The Chinese authorities warned foreign countries against expressing opinions on the election campaign in Taiwan, as the island was an "inalienable part of China".

"The future of Taiwan depends on the mainland," the source said adding that it would be "unwise" for foreign nations to become involved in the debate.

Conable: strained relations

World Bank chief visits Bangladesh to ease strains over policy

David Housego in Dhaka

MR BARBER CONABLE, the president of the World Bank, arrives in Bangladesh tomorrow for a visit that comes at a time of severely strained relations between the Government of President Ershad and the Bank and Western donor nations.

Almost $500m (£303m)in credits are being withheld by the Bank and the International Monetary Fund - including an Enhanced Structural Adjustment Facility (ESAF) loan - because of what the two institutions judge is the Government's mismanagement of short-term economic policy. A further sign of the strain is that the Bank and donor nations considered postponing the April gathering of the Bangladesh Aid Consortium Meeting, which determines the volume of foreign assistance on which the budget depends.

In an effort to smooth the path for Mr Conable's visit and to prepare the ground for a resumption of credits from the IMF and the Bank, the Central Bank announced this week a 5 per cent devaluation of the taka. The currency has remained pegged to the dollar for 18 months, meaning that it has appreciated by 10 to 15 per cent against the Japanese yen since early 1989. The Fund is urging a larger depreciation to improve the competitiveness of the currency and of Bangladesh exports.

The more critical attitude of the Fund and the Bank - which in the past have been generally approving of Bangladesh's macro-economic management - has come with the emergence during this financial year of a record deficit and with a sharp slide in the foreign exchange reserves.

From a planned surplus of taka 9bn (£176m)in the Government's current budget - as measured by revenue receipts and foreign commodity assistance, less current expenditures - the Government is heading for a deficit of about taka 9bn that is being financed out of bank borrowing.

The deficit means that the already declining development budget is being further reduced and that donors are bearing the burden of paying for a larger share of current expenditure.

Donors believe the record deficit is the result of poor revenue collection, uncontrolled spending, and, possibly, of a concealed rise in defence spending. The Government argues that the deficit is mainly due to unavoidably heavy grain purchases.

On the balance of payments side, the foreign exchange reserves have more than halved over the last year to $450m, reflecting in large measure the expansionary budget deficit. Non-food imports rose by 43 per cent in the first seven months of the financial year (June-January), as against the same period last year. Dr Wahidul Huk, the Finance Minister, believes that part of the rise could be due to over-invoicing by importers speculating on a currency depreciation. During his visit, Mr Conable is to see areas devastated by the 1987 and 1988 floods and the proposed $500m bridge across the Jamuna, for which President Ershad is pressing.

The Bank does not consider the bridge an economic priority.

It also believes that, because of inefficiency , the backlog of uncompleted projects is now so great that Bangladesh should take on no new major schemes beyond the $630m flood control programme that the international community has agreed to finance.

Last year, Bangladesh spent only 13 per cent of the $5.4bn of aid already in the pipeline or committed during the year.

Correction
General Tanai

A picture of Vice President Mohammed Rafi of Afghanistan was incorrectly captioned in yesterday's Financial Times as General Shahnawaz Tanai, the former Defence Minister, due to an error by Reuter News Pictures Service.

AMERICAN NEWS

US issues proposals to reduce transport chaos

By Nancy Dunne in Washington

THE Bush Administration said yesterday that the US transport system is on the verge of breakdown and issued a set of proposals which would transfer much of the responsibility for the system to state and local governments.

Mr Samuel Skinner, the US Transportation Secretary, presented the 169 guidelines and 65 legislative objectives.

They call for the renewal of the current federal highway funding programme for the next five years, but at the same time federal spending will be redirected to highways of major national importance.States and localities would get increasing responsibility for other projects along with "greater flexibility" to raise revenues through petrol taxes, user fees and tolls.

Mr Skinner said the congestion on US highways is now costing $2bn (£1.2bn) a year. The 21 primary US airports are so crowded that they experience more than 20,000 hours of annual flight delays.

The policy supports the continued deregulation of the haulage industry and the removal of "inequitable labour requirements that limit productivity in the railroad industry". Local airport taxes could also be increased under the new policy, a proposal that has already raised the ire of a coalition of 16 aviation industry groups.

The proposals are bound to run into other fire in Congress, which often criticises the President for offering grand new schemes with little money to implement them.

President Bush appeared with Mr Skinner yesterday to present the new policy. He described it as "a strategy to unleash the creative genius of American technology".

"This genius built a network of highways, and now we must support and encourage advanced technologies in the whole field of transportation, from magnetically levitated trains to intelligent vehicles and highways to advanced materials and engineering," he said.

The policy does call for an increase in federal spending on transport research and development, citing for example the need for research into high-speed railways.

G7 meeting 'not spurred by markets'

By Peter Riddell, US Editor, in Washington

THERE is "no special urgency" about the meeting of the Group of Seven finance ministers and central bank governors, to be held in Paris early next month, Mr Nicholas Brady, the US Treasury Secretary, said yesterday.

It is prompted by a general desire to review policy co-ordination, rather than by immediate market movements.

The meeting, almost certain to be held on April 7, was suggested by Mr Brady when he met the finance ministers of the four European G7 members (West Germany, Britain, France and Italy) at the end of last month. It will be their first collective discussion since last September.

The US believes there is now an obvious need to get on with international policy co-ordination, in view not only of recent market moves but also of far-reaching political changes, especially in Europe.

The G7 meeting is also expected to discuss the current review of IMF resources or quotas. The usual spring meetings of the IMF will be held unusually late this year, in early May.

FAA rules lift ageing aircraft repair costs

By Roderick Oram in New York

AIRLINES around the world are facing large bills for structural repairs to old airliners following adoption by the US Federal Aviation Administration of new rules designed to improve aircraft safety.

The FAA directives apply only to US-registered aircraft but regulators in other countries usually adopt such rules for airliners under their own jurisdiction.

The first US orders cover Boeing airliners but others will follow shortly for equipment made by McDonnell Douglas, British Aerospace and others.

The rules mark a fundamental change in the FAA's approach to aging aircraft. Historically, the agency believed that regular inspections and subsequent repairs could detect and remedy corrosion and fatigue problems.

It changed tack in 1988 after a number of incidents with older aircraft indicated some basic parts should be replaced at set intervals.

In one case a large fuselage section of a 19-year old Boeing 737 ripped off during a flight over the Hawaiian islands.

The FAA has adopted two separate but related requirements. The first requires extensive structural modifications to Boeing 727s, 737s and 747s older than 20 years or with more than 60,000, 75,000 or 20,000 flights respectively.

The changes apply immediately to 67 727s, 28 737s and 20 747s registered in the US and could cost an estimated $142m, the FAA said. Hundreds more will be covered as they grow older. On some aircraft types the changes are extensive. The 727, for example, requires 72 modifications including widespread re-riveting at a cost of more than $1m per aircraft.

Man-hours of work per aircraft range from 14,335 hours on the 737 to 35,000 hours on the 747, the FAA estimated. The work will be phased into normal maintenance schedules over the next four years.

The second rule requires airlines to implement corrosion control programmes for the three airliner types plus the 707, Boeing's first jet-powered airliner.

Aircraft will receive corrosion inspections after 15 years and at least once every six years thereafter. Within six years the requirement will apply to 1,514 US registered Boeing aircraft. Most airlines will be able to modify existing corrosion programmes.

Quayle visit to smooth Panama ire

Mr Dan Quayle, the US Vice President today embarks on an extensive South American trip in an attempt to smooth ruffled Latin feelings over the US invasion of Panama and ease concerns that US assistance to Eastern Europe will not take place at their expense, Reuter *reports from Washington.*

Mr Quayle was given the goodwill mission by President George Bush in January. But many Latin leaders would not receive him then, saying the political climate in their countries was hostile to a high level US visit.

The vice president will attend presidential inaugurations in Chile and Brazil. He will be one of several leaders in South America next week, including Italian Prime Minister Giulio Andreotti, Spanish Prime Minister Felipe Gonzalez and Portuguese President Mario Soares.

White House spokesman Marlin Fitzwater said Mr Quayle would "point out that what happened in Panama was unique to Panama" and state that Washington did not want to hurt US relations with other Latin nations.

First-time jobless claims fall

New applications for unemployment insurance benefits fell to a seasonally adjusted 346,000 in the week ended February 24, a decrease of 16,000 from the revised 362,000 reported in the prior week, the Labour Department said. The number of people actually receiving benefits under regular state programmes was 2,339,000 in the week ended February 17, the latest period for which the figure was available.

Message to Chile

Council of Europe senior officials yesterday sent a message to Mr Patricio Aylwin, president elect of Chile, congratulating him on his upcoming accession to the presidency on March 11, AP reports from Strasbourg.

The message said the 23-nation Council was "ready to place at the (Chilean) government's disposal its experience, not only in the areas of democracy and human rights but also in the legal and social spheres."

Ballot in the shadow of the bullet

Sarita Kendall looks ahead to Colombia's elections on Sunday

ELECTION promises normally revolve around jobs, public works and the cost of living. However, as voters prepare for polls in Colombia on Sunday, candidates are being bombarded with questions about cocaine trafficking, extradition, guerrillas, security and survival.

Members of the Senate and House of Representatives, mayors and local government representatives will be chosen. Also, the governing Liberal Party will choose its candidates for the presidential and vice-presidential election due on May 27. This will take place against the background of rampant paramilitary activity and local guerrilla armies which are stronger than ever.

President Virgilio Barco's war on the cocaine barons won praise abroad and some success at home. For rural communities and the political left, the five-month crackdown on traffickers brought a peaceful interlude. Since the beginning of the year, though, the left's guerrilla war and the "dirty war" by assorted assassins have *intensified. The* Government's Anti-Assassin Committee is ineffective, and at least two British mercenaries are known to be back at work in Colombia.

Moreover, an encouraging experiment to bring peace to the beleaguered Cimitarra rural region on the middle reaches of the Magdalena River has finished abruptly with the *murder of three peasant* leaders and Silvia Duzan, a journalist interviewing them for British television. The peasant association had worked for more than two years to persuade guerrilla and paramilitary groups to leave Cimitarra alone; farming, schools and community marketing projects were doing well.

Pacificism was repaid with bullets. Since the murder last August of the Liberal Party's most popular candidate, Senator Luis Carlos Galan, the accessories of presidential campaigning mean bullet-proof vests, armies of bodyguards and ambulances at the ready. *Mr Cesar Gaviria, who* took up Galan's banner, has received countless death threats and at least two bombs were defused nearby during his campaign.

Mr Gaviria's youth and political inheritance make him one of the favourites for the Liberal candidacy, but 69-year-old Mr Hernando Duran Dussan has the party machine behind him.

The local election abstension rate has always been high, and this time there are compelling reasons for not voting at all: in the Caribbean city of Santa Marta it is difficult to find a candidate without drug-*trafficking connections* – everyone running for mayor or councillor is tainted, according to a local police officer. A letter to one of the Bogotá dailies laments: "Where have all the *honest men of Santa Marta* gone?"

Nepotism is rife in the south-western department of Nariño, to the extent that the Escruceria family at one point *had 14 candidates for four official* posts. One congressman in the clan is in jail in the US for cocaine trafficking.

The National Liberation Army (ELN) guerrillas have been backing their "Don't Vote" strategy with ugly threats – every candidate for Almaguer town council *had* withdrawn by last week.

Although all guerrilla groups have promised a ceasefire for election day, people in Santander may be reluctant to risk dipping their fingers into the red ink which marks each person who has voted: rumour has the ELN ready to cut off red-stained fingertips. The electoral authorities abandoned several municipalities in the area because of kidnaps and murders.

Complaints of corruption and clientilism – the patronage system whereby loyal political supporters are repaid with jobs – are too common to raise interest. Indeed, the chance of getting a free school place or a *few thousand pesos helps to* raise the turn-out untypically high in some places.

The city of Barranquilla's electoral register had 34,000 people struck off after an official *investigation; the* electorate in the town of Barrancas has been swollen by truckloads of Guajiro indians ready to trade their votes.

This kind of electoral atmosphere needs the *money* and the machinery wielded by the Liberals and the Conservative Party. Having controlled Colombian politics since independence in the 1820s, the two *main parties* usually take more than 90 per cent of the vote, leaving few pickings for left-wing or populist movements.

Patriotic Union (UP) candidates must be brave to run at all.

More than a thousand party members have been murdered *since its foundation in 1986,* and 76 so far this year. Four of the UP mayors elected in 1988 have been killed, two are in exile, the rest receive regular death threats. "There is bound to be an effect on the electoral results," said a UP analyst. "So many of the best people are dead."

Both the ELN and the drug traffickers have denied any part in the recent UP killings, while President Barco referred to the party's accusations against the military as a tactic to get voters' attention.

The fate of the UP, which was created to channel Soviet-line former guerrillas of the FARC movement into democratic politics, does not augur well for candidates from M-19, *another long-standing guerrilla* group. But M-19's populism seems more palatable than UP's communism.

Widespread disillusionment with political leaders has given the *seventh* item on the ballot paper for Sunday great importance. This a proposition that a constituent assembly gather to reform Colombia's constitution, Mr Barco's attempts having foundered in Congress. Launched by a student movement with the slogan "There is still time to save Colombia", the campaign has turned into an informal plebiscite. Although the result will not be legally binding, the next government may find it politically so.

Mexico defends plan to privatise steel plants

By Richard Johns, in Mexico City

MODERNISING two state-owned steel plants which are due to be sold would cost 6,300 bn pesos ($2.33 bn), the Mexican Government said in defence of the planned privatisations.

Investments required for Altos Hornos de Mexico (AHMSA) and Siderugica Lazaro Cardenas - Las Truchas should be diverted to social spending, Mr Ernesto Zedillo Ponce de Leon, Minister of Planning and the Budget, argued in a statement presented to the Mexican Congress on Wednesday.

President Carlos Salinas de Gortari has used a similar rationale to defend the privatisation of Telefonos de Mexico (Telmex), the state telecommunications monopoly, and the Mexicana airline. But a partial retreat from the steel sector, long considered to be one of the commanding heights of the economy, will meet stiff opposition, including from the ranks of the ruling Institutional Revolutionary party (PRI).

The Government is holding out the prospect of worker participation in ownership of the plant, currently held by the state steel group Sidermex.

Privatisation of the debt-encumbered parastatal companies "places on a silver plate the patrimony of Mexicans for private, national and foreign investors," said a left-wing deputy. Even the conservative National Action Party expressed reservations about the manner in which the proposed sale was presented.

No decision or announcement had been expected until next year and the Goverment's move came as a big surprise. No indication has been given of what price the government would expect to get for the two plants or whether it contemplates keeping a minority shareholding.

AHMSA is the third biggest parastatal after Petroleos Mexicanos (Pemex) and Telmex. It ranked sixth in the magazine Expansion's survey of Mexico's top 500 companies in 1988, and Sicartsa 22nd.

Last year AHMSA had an operating profit of $141bn but one of only 28.7bn pesos after taking into account interest payments, according to the Ministry of Planning and the Budget. Sicartsa's operating profit was 345.2bn pesos and its deficit after interest payments 44.4bn pesos.

WORLD TRADE NEWS

HK art expert sees investment future in buses

By John Elliott in Hong Kong

MR T.T.TSUI, a 48-year-old Hong Kong Chinese entrepreneur who has donated £1.25m to London's Victoria and Albert Museum for a Chinese gallery, is now planning to spend *at least £10m providing* urgently needed work for hard-pressed Leyland Buses of the UK.

But Mr Tsui Tsin-tong (to give him his full Chinese *name) is not only motivated by* altruism. The £10m will buy him more than 70 94-seater air-conditioned double-decker buses which are intended to help him achieve an ambition *for his Citybus company to* become Hong Kong's leading bus operator, ousting two old-established companies.

This may seem a strange ambition for a man who in the past 10 years has established himself among art experts as one of the world's most passionate, diligent, and open collectors of Chinese art. His collection ranges from Han dynasty earthenware oxen and carts more than 2,000 years old to 17th century Qing dynasty porcelain bowls. Its worth has been estimated as high as HK$1bn (£77m) and the hobby *led to his donation to the* Victoria and Albert to house its Chinese collection in what will be called the T.T.Tsui Gallery.

Mr Tsui (pronounced Tchoy), whose family came from *Hangzhou near Shanghai in 1950,* regards buses as a "safe and liquid investment, with everyone paying cash". This, he says, is important during the next few unpredictable years *as Hong Kong* approaches its 1997 return to Chinese sovereignty. He explains that his other investments are concentrated in property and a hotel which, are "more vulnerable to rows between the UK and China".

On March 21 Mr Tsui will be in the UK to sign an order for 50 of the Leyland buses, with bodies from Walter Alexander of Falkirk, valued at £7.5m for delivery this year. There is an option for 25 more. Last year he ordered 24, now being delivered, and he talks in terms of ordering at least another 200 costing up to HK$400m by 1993.

The arrival of the new buses – the first to be air conditioned in Hong Kong – has transformed life on some routes, including one to adjacent areas of China. The success has prompted studies in Singapore, Bangkok and Taipei of using large air-conditioned comfortable double-deckers for mass city transport.

The only losers so far are the existing Hong Kong companies. *China Motor Bus* which operates the main franchise in Hong Kong island with mostly old vehicles, has had labour troubles and is Citybus's main target. Spurred by the competi*tion, China Motor has placed a* HK$12m order for air-conditioned double deckers with Dennis Specialist Vehicles of the UK, but a prototype failed a 28-degree tilt test.

*Mr Tsui took control of City*bus, which was founded in 1980, from a subsidiary of British Electric Traction in 1987. The company does not have any general operating franchises and has been existing on special routes such as one to China and other restricted residential services.

He believes that there is a demand from Hong Kong's *increasingly affluent population* for comfortable air-conditioned buses charging premium fares and claims success on routes he is operating.

This week he has staked out his claim to become a full franchise operator – which would bring fuel tax and other financial *concessions – by formally* asking the Government to give Citybus a franchised route between the centre and prestigious residential area of Mid-levels.

THE lack of suitable alternatives elsewhere in Asia means Hong Kong companies may well step up their investment in southern China despite last year's Tiananmen Square massacre, Mr Jack So, executive director of the Hongkong Trade Development Council, said in London yesterday, writes *Peter Montagnon, World Trade Editor.*

After the Peking massacre many companies had examined alternative possibilities, he told a businessmen's lunch, but they had found that even countries such as Thailand, which have been popular with investors, have problems such as port congestion.

Southern China was thus re-emerging as an attractive investment location, especially for small and medium-sized companies for which registration procedures had been simplified. "Whatever happens in Beijing (Peking) is remote to Southern China," he added. Hong Kong now accounts for 60 per cent of foreign investment in China and 40 per cent of its hard currency earnings.

Antique Collector – Flo Smith

Tsui: given name to an art gallery

SEMICONDUCTORS STUDY

Task force unveils plan to lift US presence in Japan

By Robert Thomson in Tokyo

JAPAN'S Electronic Industries Association and the US Semiconductor Industry Association yesterday released a joint study of the Japanese semicon*ductor market proposing* a series of "action plans" to increase US market share.

The two associations established a "task force" in June last year to study the buying *habits of Japanese companies* and the proposals yesterday include encouraging US companies to expand sales offices in Tokyo, improve technical training of distribution staff *and supply better quality information* to Japanese customers.

Japanese companies are advised to provide more information on the standards required of chips, allow for minor modifications of foreign chips to meet Japanese needs and speed up the qualification process for foreign suppliers.

Five Japanese user companies, Matsushita, Sony, Sharp, *Sanyo and JVC, participated in* the task force, as did six US semiconductor suppliers, Motorola, Texas Instruments, Intel, LSI Logic, National Semiconductor, and Precision Monolithics.

The consumer electronics market accounts for about a third of semiconductor consumption in Japan and Tokyo is under pressure from Wash*ington to ensure a greater foreign* share of the total market. In the fourth quarter last year, the foreign share was 12.9 per cent but purchase orders this year suggest that the figure *could be slipping.*

Battle is on again for Indian telecom deal

Multinational groups are back in the running, reports David Housego

LEADING telecommunications groups are back in Delhi, following the change of government in India, lobbying hard. They seek a foothold in what is seen as a multi-billion dollar market in one of the world's largest countries with one of the weakest telephone systems.

Nine months ago, Mr Sam Pitroda, the US-trained electronics engineer who heads the government telecom agency and designed India's indigenous C-DOT switching technology, said India was not interested in further foreign collaboration to develop main exchanges in urban centres. He said India would rely on the 16,000-port, 40,000-line exchange being developed by his Centre for the Development of Telematics team.

Mr Pitroda, one of the few Indians to make the leap from the US private sector to Indian government service, and who has remained a flamboyant, controversial figure, was at the peak of his power. A crusader in accelerating the use of microelectronics in India, winning the support of former Prime Minister Rajiv Gandhi for his ambitious plans, Mr Pitroda is also an economic nationalist who believes that in a key area such as telecommunications India should not be dependent on multinationals.

Since Mr Pitroda's declaration in May much has changed. He has lost the patronage of Mr Gandhi: Mr K.P. Unnikrishnan, the new Minister for Communications, is suspicious of his contacts with Mr Gandhi and resentful of his power.

The minister has thus set up a committee due to report this month on C-DOT's ability to meet Indian requirements for main exchanges and the delays in developing the 40,000 line switch. In contrast to Mr Pitroda, he has also left the door open to purchasing equipment abroad and to foreign collaborations. "If a certain technology is required and if it is not available locally, we will not hesitate to import it," he says.

It is against this background that Alcatel, Ericsson – which recently won a $15m contract for four digital switches for international traffic – Siemens, AT&T, and British Telecom have been renewing pressure to enter the different segments of the telecommunications market. Alcatel is by far the best placed for switching equipment in that its E10B exchange is already manufactured under licence at Mankapur in north India.

The crucial question for the Indian Government is whether the C-DOT main exchange can be rapidly brought into commercial production to prevent further snarling up of telephone traffic. Current plans call for the installation of an additional 15m lines by the year 2000 – representing an investment of over $8bn. The Mankapur plant, with a capacity of 500,000 lines a year, is India's only facility for manufacturing digital exchanges.

The big multinationals are convinced that C-DOT cannot develop and produce a 40,000-line urban exchange (MAX) of international standards within the timeframe spelled out by the Government. In part, this is because of the architecture of the C-DOT system which is modular in concept and thus based on building up from a low capacity office (PABX) or rural (RAX) exchange. No multinational has succeeded in developing a modular main exchange. In part it is because of the delays needed to test and stabilise a new, large-scale system.

Foreign companies, tend, however, to be more complementary of C-DOT's efforts than they were 18 months ago. Of the main exchange, Mr R.P. Singh, Alcatel's manager for India, says C-DOT is putting together "a product that will work successfully".

Mr Pitroda, who says that he is determined to fight it out, concedes that commercial produc*tion of the main exchange* – due to begin before June – is running about nine months behind schedule. Because it is part of a family of products sharing common components and printed circuit boards, he claims that no big new production facility will be required.

In Mr Pitroda's favour is that he has the strong support of the Indian scientific community and of his own 500-member C-DOT team – many of whom would quit if he suffered a major reverse. Mr Pitroda's emphasis on self-reliance in telecommunications also chimes in with the new government's ideological stance and the need to conserve foreign exchange because of the squeeze on the balance of payments. A third factor is that a C-DOT exchange at a cost of some Rs10,000 (£360) a line and perhaps lower is far less costly than Alcatel's tag of Rs24,000.

So far 30 manufacturers are licensed to produce the low capacity 128 port C-DOT PBX of which 1,200 systems are in service. Ten manufacturers are producing C-DOT exchanges rural exchanges with 100 installed and a further 300 to be delivered by March.

The 512-port exchange with 1,500 lines is ready to go into production – though some engineers say it still suffering from *software problems* – with eight manufacturers licensed to produce it. A prototype of the 16,000 port exchange is on field trials in Bangalore but operating with only 3,000 lines. Mr Pitroda says this can be raised to 20,000 when commercial production begins in a few months and 40,000 by the end of the year.

In what appears a modification of his previously hostile stance against multinationals gaining a foothold in the Indian switching market, he now says that there would be room for a company like Alcatel to provide switches above the 40,000 line level for major cities.

New Jersey company complains over Japan

ALLIED-SIGNAL of New Jersey has filed a complaint with the US Trade Representative in an attempt to open the Japanese market to high-technology advanced *materials,* writes Nancy Dunne in Washington.

The company said it had been excluded from the Japanese market for electronic transformers using amorphous metal alloys, valued at more than $100m. Its petition, filed under Section 301 of the 1974 Trade Act, joins dozens of others against Japan.

The company said it took 11 years to get a patent in Japan for its product and that, during that time, Japanese companies duplicated its technology.The Japanese Government organised and funded an amorphous metals group under the Japan Research and Development Corporation to spur development of a competitive product, the company said.

Japanese electric utilities were pressed not to buy transformers containing the Allied-Signal product.

EC stresses free trade commitment in Gatt

By William Dullforce in Geneva

MR FRANS Andriessen, the *European Community's* Commissioner for External Affairs, flew into Geneva yesterday to defuse speculation that the EC is no longer participating seriously in talks on the liberalisation of world trade.

The EC's efforts to intensify co-operation with east Europe and to complete its own single market would detract in no way from its unequivocal commitment to bringing Gatt's Uruguay Round to a successful conclusion, Mr Andriessen assured leading negotiators.

He recognised that for this commitment to be credible the *EC would* have to offer compromises and make concessions.

Mr Andriessen was not forthcoming when pressed for details. Answering a Third World appeal made on Monday for Brussels to present its ideas on how to liberalise trade in textiles and clothing, he said he saw no reason to be more specific at this *stage of the* negotiations.

He linked progress in textiles with Brussels' demands for the opening of Third World markets and the improving of conditions *for* competition. *If the* EC did not obtain satisfaction "I do not think I can maintain my (domestic EC) textile constituency," he said.

Mr Andriessen said he saw *no reason* why financial services should be exempted from any agreement to liberalise trade in services, as the US proposes.

All EC member states had taken a very strong position on this point. The Community had decided in favour of according the Soviet Union observer status in Gatt and the US had also taken "a political decision" but no-one knew when this could actually be implemented.

Talks on China's request to rejoin Gatt were being dealt within Gatt "under normal procedures" but this was a delicate political issue and would be dealt with as such.

Mr Andriessen denied that on his forthcoming visit to Tokyo he would ask the Japanese to keep car exports to the EC to a limit of 15 per cent of the market. The Community had so far taken no position on the matter.

UK NEWS

Northern Ireland

'Shoot to kill' case may go to European Court

By Jimmy Burns

THE European Court of Human Rights may become embroiled in a politically sensitive battle to change the legal rules governing members of the British security forces allegedly involved in a "shoot-to-kill" policy in Northern Ireland.

The House of Lords yesterday decided in favour of an appeal by Sir Patrick Maybew, Britain's Attorney General, against an earlier ruling won by Mrs Eleanor McKerr declaring unlawful a coroners' rule that officers of the Royal Ulster Constabulary should not be compelled to give evidence in person at inquests.

But Mrs McKerr said that having fought the case for eight years, she was not prepared to "give up now." She intends to take the case to the European Court of Human Rights in Strasbourg and "seek justice for all relatives of shoot-to-kill victims."

Mrs McKerr's husband, Gervase, was one of three men killed by *RUC* officers in November 1982 in Co Armagh. The incident sparked-off a continuing controversy of whether the security forces in Northern Ireland have abandoned the rule of law in their fights against terrorism.

Lord Goff said yesterday it was "undisputed" that the *three "were killed by shots* fired by members of the Royal Ulster Constabulary."

But he added that it was important to bear in mind that it was for coroners to decide what witnesses should be called to give evidence.

The rule which had been challenged by Mrs McKerr, *Lord Goff said*, was *no more* than procedural. It requires Northern Ireland coroners to exercise their powers in such a way as to give protection to citizens in specified categories.

Four other Law Lords, Keith, Templeman, Ackner, and Jauncey agreed.

Northern Ireland human rights lawyers, however, have argued that the members of the security forces should be compelled to appear as witnesses in order to establish the true circumstances surrounding certain killings in the province.

They say that current rules, under which members of the security forces need only submit written evidence, allows suspected killers to escape cross-examination and puts lawyers acting for the victims at a huge tactical disadvantage.

The UK has been brought before the European Court of Human Rights on 31 occasions since becoming a signatory of the Convention on Human Rights in 1950 and has been found in violation of the Convention 21 times.

The UK has consistently been the subject of more applications for alleged breaches than any other European country. Britain is also one of the last signatory nations not to have incorporated the European Convention into its domestic law.

In the past, the British Government has chosen to derogate from European Court of Human Rights rulings.

Mrs McKerr's complaint that the coroners' rule in Northern *Ireland may* be *in breach of the* convention will firstly be examined by the European Commission of Human Rights.

The Commission could then draw up an official report on the case before sending it on to the Committee of Ministers, opening up a three-month period during which either *party can formally ask for the* case to be sent to the European Court of Human Rights.

Previous Northern Ireland cases which have involved the European legal process include one in 1972 alleging torture in the use of sensory deprivation and interrogation techniques.

London fights to be fashionable on the international catwalk

By Alice Rawsthorn

THIS afternoon the new season's London designer collections will begin when Caroline Charles unveils her latest collection at her showroom in Knightsbridge.

These collections may mark a watershed in the development of the London fashion designers. The fortunes of the designers have waxed and waned over the years, but they are now in a critical condition.

Only 20 designers will stage catwalk shows in London this season. Two of the best known names – Katherine Hamnett and John Galliano – have chosen to unveil their collections in Paris instead.

Rifat Ozbek is showing his collection on video rather than as a conventional catwalk show. Jasper Conran has also decided against a conventional catwalk show in favour of what he calls "a happening" at his showroom in Soho this evening.

The other designers have been left to hope that the international store buyers and fashion press will still come to the London collections, despite the absence of well known names such as Hamnett and Galliano.

London has been steadily losing its status in the intensely competitive fashion industry since the early 1980s, when Milan and New York emerged as alternative centres to Paris.

The gulf between the *London* designers and their competitors has widened ever since. The London fashion houses tend to be far smaller – with less sophisticated management structures – than their counterparts in France, Italy and the US.

Katherine Hamnett, the largest of all the London houses, made sales of £30m last year. This pales in comparison beside Christian Dior in Paris or Ralph Lauren in New York, with turnover of over £500m.

Similarly the London designers do not have the advantage of the close rapport with the mainstream textile industry – offering access to manufacturing facilities and licensing deals – enjoyed by the Milan fashion houses.

As a result the London fashion scene is riddled with rumours of financial crises. In the past year or so these problems have been compounded by a decline in demand for "designer" fashion.

The *impact of high interest* rates and the swing in consumer sentiment against the 'designer decade' of the 1980s has meant there are fewer British women who are able and willing to treat themselves to a Jasper Conran dress or a Betty Jackson suit.

This means that the designers are more dependent than ever on exports. Unless the overseas buyers do turn up to this weekend's fashion shows there is a very real risk that other leading London designers *will defect to Paris next* season and that the smaller designers may decide not to show their collections at all.

Minister urges 'cool look' at UK defence options within Europe

By David White, Defence Correspondent

BRITAIN should not rush headlong into a defence review, Mr Tom King, the Defence Secretary, said yesterday.

The Ministry of Defence was taking a "cool look" at its options in the light of changes in Europe, he told an audience including military chiefs, leading defence industrialists and foreign diplomats at the Royal United Services Insitute for Defence Studies.

However, he added: "The idea that we are in the position to make wholesale changes is fundamentally wrong."

He called on Moscow to take action, beyond arms control measures currently under negotiation, to build more confidence in the West about the defensive nature of the Soviet military posture.

This would include moving war stocks of fuel and ammunition away from the front line, destroying or converting its forward logistics infrastructure, and ending the buildup of its submarine fleet.

Moscow had slowed some military production, and had halved its output of tanks to about 1,700 a year, but this was still more than the annual output of the Nato alliance.

Mr King welcomed yesterday's resolution by the West German Budestag reassuring Poland about the security of its border with a united Germany. He said Britain did not wish to obstruct unification but wanted it to be done on a durable basis.

Britain's principle was: "Don't slow it down, but get it right," he said.

It was "absolutely critical" that Germany should remain in Nato, he said. This was in response to this week's clear stance by President Mikhail Gorbachev against Nato membership for a united Germany.

International investors prepare Thames estuary airport scheme

By Andrew Taylor, Construction Correspondent

PLANS by a group of international investors for a large airport, handling more passengers a year than Heathrow, to be built in the Thames estuary are expected to be submitted to the British Government at the end of next month.

A feasability study for the international airport, reminiscent of plans to build an airport on the Maplin sands in the Thames estuary abandoned by the Labour government in the mid-1970s, is being prepared by Covell Matthews Partnership International, a London based architect and planning consultants.

The partnership declined to reveal the identity of the project's backers other than to say they were international investors including some British investors. It had prepared various options for funding the £8bn airport; which it expected would be privately financed.

The airport, which would be built on West Shingle bank, 8 miles north east of the Isle of Sheppey, would provide four runways, one of which would be for emergency and standby operations. It would, say the consultants, handle up to 45m passengers a year compared with 39m a year currently handled by Heathrow.

The first phase of the project costing £4.5bn would provide a large international terminal, one operational runway, and a standby runway. The remainder of the project would be self financing using revenue from the first runway.

The plans include provision for rail and road tunnels connecting the terminal with the mainland close to Shoeburyness in Essex and close to the Kent coast north of Sittingbourne. The tunnels, costing a combined £1.9bn would be financed separately using private money.

UK NEWS

House of Fraser takeover

Thatcher rejects calls for intervention on Harrods

By Philip Stephens, Political Editor

THE Prime Minister yesterday stuck by the Government's *decision to take no action* against the Egyptian Fayed brothers in the wake of this week's damning report into their takeover of the House of Fraser stores group.

Amid terse exchanges in the House of Commons, Mrs Margaret Thatcher, said the decision lay with Mr Nicholas Ridley in his "quasi-judicial" role as Trade and Industry Secretary.

As Mr Ridley's handling of the affair faced criticism from cabinet colleagues, as well as from Conservative backbench MPs, Downing Street indicated that it was an issue on which the Prime Minister had to accept his advice.

In an apparent response to some of the criticism, Mr Ridley announced last night that he would submit a memorandum to a Commons committee setting out the implications of the DTI Inspectors' report for company law and mergers policy. The memorandum will be sent to the Select Committee on Trade and Industry, which is in the process of reviewing the DTI's investigations of City scandals.

Other ministers appeared *anxious to distance themselves* from Mr Ridley's handling of the affair, stressing that a cabinet discussion yesterday had consisted essentially of a report from the Trade and Industry Secretary.

Some senior Conservatives said Mr Ridley's position in the Government had been severely dented by his performance in the Commons on Wednesday, when he delivered a statement lasting less than two minutes on the report.

Mr Ridley has been at odds with cabinet colleagues over a range of other policy issues. There is now speculation at Westminster that he may stand down from the Government in the next cabinet reshuffle.

Pressed by Mr Neil Kinnock, the Labour leader, to explain why the Government had not used its powers to disqualify as directors people who were "proven liars," Mrs Thatcher referred repeatedly to Mr Ridley's statement on Wednesday.

Any further action beyond *the disqualification issue* was a matter for the relevant prosecuting authorities, she added.

The Trade and Industry Secretary faced a barrage of criticism. Senior backbench Conservative MPs joined the Labour Party in demanding a full debate in the Commons on the affair. Mr Kenneth Warren, chairman of the Trade and Industry Committee, said he believed that Mr Ridley should have used his powers to disqualify the Fayeds.

Calling for an early debate, he said there was a broad public interest in the ownership and integrity of a company such as House of Fraser, which went beyond the narrow interests of the shareholders.

House of Fraser takeover, Page 16; Lombard, Page 19

Disbelief over Fayed decision

Philip Stephens, Political Editor

THERE was an air of puzzled and indignant disbelief at Westminster yesterday as MPs reflected on the Government's decision to take no action against the Fayed brothers over the manner in which they acquired House of Fraser.

Mr Nicholas Ridley's half-jocular remark following the publication of the DTI inspectors report that the events were not "particularly heavyweight" was quickly disowned by Tory as well as opposition Labour MPs.

The report after all had spoken of "a massive fraud against the Government" - not something that most at Westminster regard as lacking significance or susceptible to explanation in a two-minute ministerial statement.

Mrs Margaret Thatcher made it clear that the decision not to disqualify the Fayeds as directors of House of Fraser was a "quasi-judicial" one taken by Mr Ridley alone rather than by the Government collectively.

MPs insisted that, whatever the Trade and Industry Secretary's stance, they would continue to press for a full Commons debate on the issue. "We have just started (on this issue) in the House... we need to know a lot more", Mr Kenneth Warren, the Conservative chairman of the Commons Trade and Industry Committee said.

The Trade and Industry Secretary's off-hand - some suggested disdainful - manner in the House prompted unease among senior colleagues in the Government.

"He is his own worst enemy... he has made the Government's position more difficult", one commented. A senior cabinet colleague, while stressing that he was not aware of the legal advice received by Mr Ridley, said that he was "appalled" by his performance on Wednesday.

Another senior minister added that Mr Ridley had managed to convey the impression that the Government was indifferent to the way business and the City conducted its affairs.

Of itself, his decision would probably not inflict significant political damage, but it had left a "nasty taste". The slump in the Government's popularity caused by high mortgage rates and the poll tax meant it could not afford to be accused of condoning such behaviour.

Mr Warren's view that Mr Ridley should have used its powers to disqualify the Al Fayeds as directors was also widely shared among Conservative as well as Labour MPs.

Mr Ridley meanwhile was facing speculation that his own, recently beleagured, position in the Government was beginning to look precarious.

In Brief

Heathrow switches to new power supplier

Heathrow Airport, which uses £10m-£12m worth of electricity a year, is to save hundreds of thousands of pounds by changing its power supplier on the eve of electricity privatisation.

Seeboard, one of the 12 area *supply companies*, is on the point of winning a battle to supply Heathrow's electricity, even though its area of operations do not cover the airport. Heathrow is the first known organisation to switch demand to a neighbouring electricity board from its existing supplier in the run-up to privatisation - ending its contract with Southern Electric.

LSE lecture

Monetary unification between the two Germanys will in many ways be easier to achieve than any move towards economic and monetary union in Europe, according to Professor Charles Goodhart of the London School of Economics.

Phillips discovery

Phillips Petroleum, the US oil company, has made a potentially significant oil discovery in the central North Sea, which it has named the Jacqui prospect. The find is in the vicinity of a number of other modest oil reservoirs discovered by Phillips.

Welsh gallery plan

A national gallery for arts and crafts in Cardiff has been proposed by the Institute of Welsh Affairs, an independent think-tank set up three years ago.

New head for Fimbra

Fimbra, the self-regualtory organisation rocked last year by a rebellion of its members, has found a new chairman. He is Sir Gordon Downey, a former Treasury civil servant and head of the National Audit Office from 1981-87.

Rates hit contractor

Brims Holdings, one of the largest privately owned contractors in north east England has gone into receivership as a result of cash flow problems caused by high interest rates and slow payment on some contracts.

Tories try to link Labour with violent anti-tax demonstrations

By Ralph Atkins, Michael Cassell and Richard Evans

MRS MARGARET Thatcher yesterday denounced as undemocratic "violent and intimidatory" demonstrations against the new poll tax and attempted to tar Opposition leaders by linking Labour MPs to acts of civil disobedience.

The Prime Minister's attack marked an attempt by the Conservatives to distract attention *from concern among* Tory MPs, councillors and rank and file supporters about the new system of local taxation.

She accused far-left Militant Tendency supporters of organising violence and said it was quite wrong for MPs to suggest the non-payment of the community charge. In rowdy Commons exchanges, Mrs Thatcher said people should "pursue their protests peacefully and in accordance with the democratic process."

Mr Neil Kinnock, Labour Party leader, responded: "I agree with everything you have just said, as I have long made clear."

The Conservatives' onslaught came after three days of noisy, and often disorderly, protests as local authorities have met to set their poll tax rates. Labour has repeatedly condemned unlawful actions and accused Tories of a panic reaction.

Although the Labour leadership has distanced itself from *unlawful action, the protests* have won some sympathy from several of its members.

Mr David Waddington, Home Secretary, said: "It is time that Neil Kinnock not only condemned these hooligans but drummed out of the Labour Party the numerous members who support them."

In Mid-Staffordshire, where the Conservatives will defend one of their safest seats in a by-election in two weeks, Mr David Hunt, local government minister, called on Mr Kinnock to begin a public inquiry into the links between Militant and his party.

Mr Hunt also criticised remarks by Labour spokesmen which, he said, appeared to rationalise the "disgraceful town hall thuggery" seen around the country in recent days.

Mr Tommy Sheridan, chairman of the Anti-Poll Tax Federation, predicted on BBC television yesterday that the wave of protests would force Mrs Thatcher into "the most embarrassing U-turn of the last 10 years." He said the "real" protests would begin on April 1, when 9m to 10m people throughout England and Wales would join the 1m non-payers in Scotland.

● Fears that the poll tax will hit high street spending emerged for the first time in a survey of consumer spending patterns yesterday.

Retailers have been telling the Confederation of British Industry that the introduction of the poll tax - officially called the community charge - will make high street trade even slower in the coming months.

GUINNESS TRIAL

Former director says Saunders 'dedicated' to growth of company

By Raymond Hughes, Law Courts Correspondent

AS CHIEF executive of Guinness Mr Ernest Saunders was "a strong leader....dedicated to the growth of the company," a former Guinness director said yesterday.

Mr Victor Steel, who had worked with Mr Saunders at Beechams and is now a director of Kingfisher, was giving evidence for the prosecution in the Guinness trial at Southwark Crown Court.

Cross-examined by Mr Richard Ferguson, QC, for Mr Saunders, Mr Steel agreed that in January, 1987, the Guinness board had decided to withdraw all financial support from Mr Saunders without giving him an opportunity to answer allegations made against him by Mr Olivier Roux, then Guinness's director of finance.

Mr Steel said that the board had decided that they could not make an "open-ended" financial commitment to Mr Saunders.

And this, said Mr Ferguson, had been a man who had given loyal service to, and strengthened, Guinness, and as a result the shares had significantly appreciated in value.

Mr Steel agreed. He said he had gone along with the decision to suspend Mr Saunders because of legal advice about his duty as a director that he had felt compelled to follow.

Mr Ferguson suggested that the board's treatment of Mr Saunders and Mr Roux had not been even-handed.

Mr Steel said that Mr Roux had volunteered information which implied Mr Saunders' involvement. Mr Saunders' accountability as chief executive had been higher than that of Mr Roux.

Mr Ferguson suggested that Mr Saunders had been "tried and convicted" by the Guinness board. Mr Steel did not accept that.

Mr Saunders, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City of London stockbroker, and Sir Jack Lyons, the millionaire financier, have pleaded not guilty to charges arising out of an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle with Argyll for the Distillers drinks group.

Mr Simon Duffy, who joined Guinness as director of corporate finance shortly after the bid had been launched, said he had found ambiguity about reporting structures, roles and responsibilities in the company. There had been a great deal of secrecy.

He agreed that finance had not been Mr Saunders' forte.

Mr Ferguson: "In the past you have described Mr Saunders as financially naive ?"

Mr Duffy: "I believe I have, yes."

The trial continues today.

Public supports the traditional British Bobby - says report

By Alan Pike, Social Affairs Correspondent

BRITAIN'S POLICE service, suffering from a series of recent blows to its credibility, yesterday produced the results of a unique research exercise in which it has placed itself under investigation.

The study shows that public approval of the police remains relatively high – but there are sharp divisions between the public and the police over the style in which officers should operate. It also suggests that Government pressures for greater financial efficiency are putting at risk traditional policing methods which are valued by the public.

The review of policing, one of the most comprehensive ever conducted, involved all 43 English and Welsh forces. It was established by the Association *of Chief Police Officers*, the Police Superintendents' Association and the Police Federation – which together represent all ranks – because of concerns *that traditional* policing is under threat, partly from Government pressures for the service to meet businesslike efficiency measures.

Publication of the results of the survey, commissioned in late 1988, comes at a time when the public reputation of the police has been called into question.

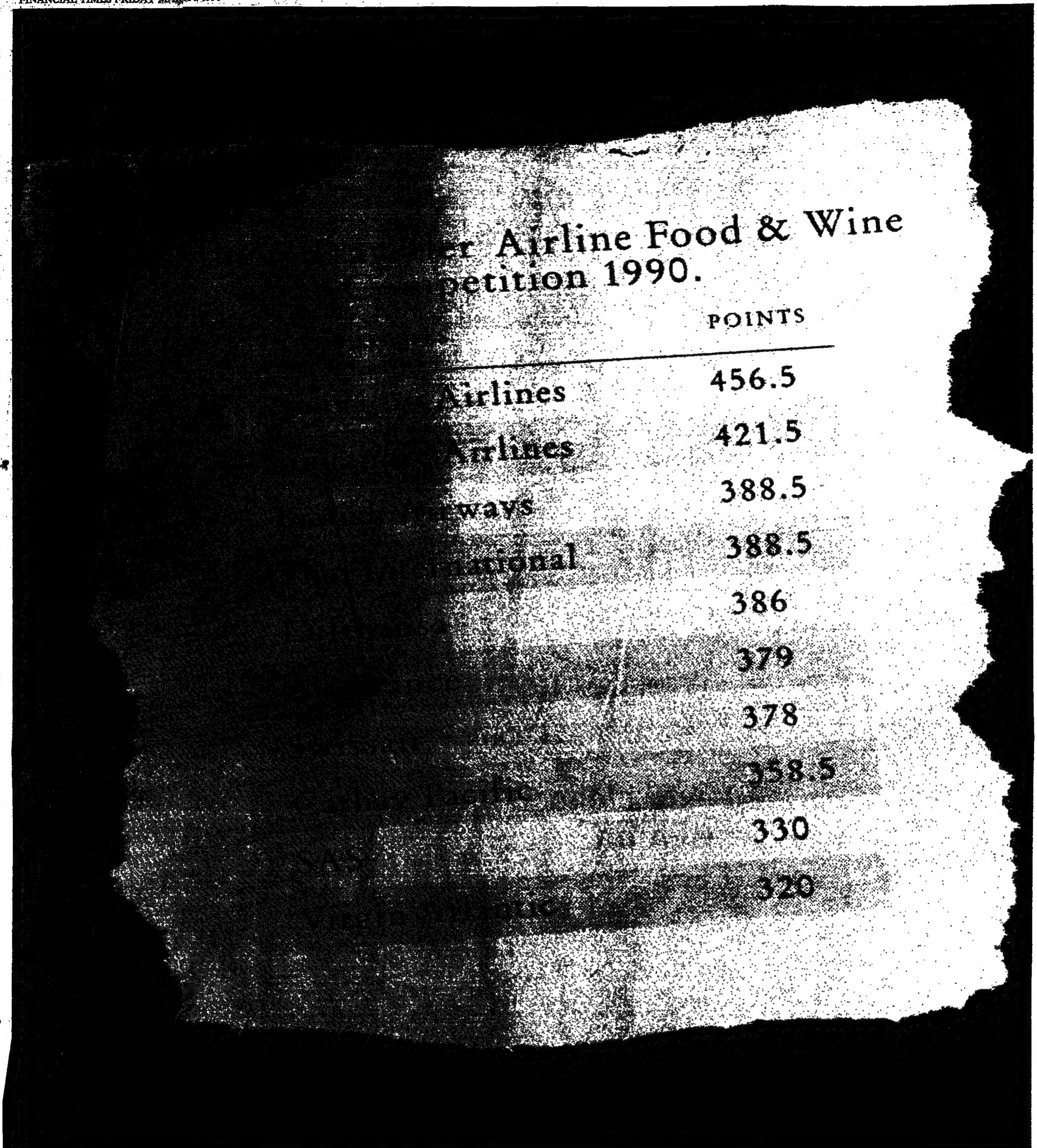
Mr John Dellow, president of the Association of Chief Police Officers, said he hoped the openness which the police service was demonstrating would be recognised.

In recent years, chief constables have been under growing Government pressure to improve efficiency. Applications for increases in numbers have to be accompanied by proof that extra numbers will provide value for money.

But, suggests the review, this is leading forces to concentrate on those aspects of police work which can be quantified and measured – putting at risk the traditional policing.

Traditional policing, based on police officers on foot, is shown by the review to enjoy strong public support.

But the review shows that among police officers at large there is greater enthusiasm for a more positive detect-and-arrest style of policing.



AFTER TWO YEARS' CAREFUL PREPARATION, WE'D LIKE TO OFFER YOU SOME FOOD FOR THOUGHT.

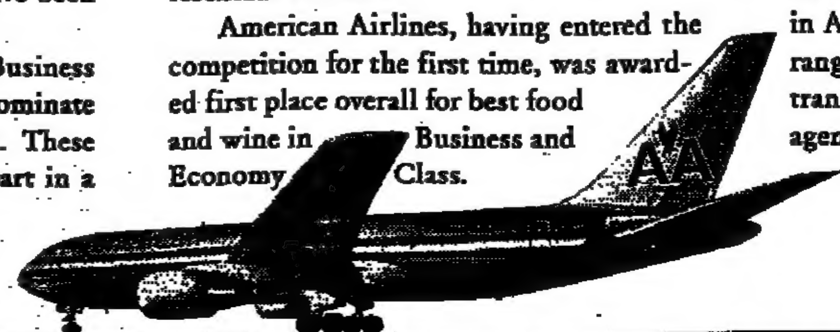
At American Airlines, we can honestly say that our new menus took two years to prepare and perfect. During that time, we have been engaged in consultation with leadingchefs in Europe and the U.S., as well as with a professor in the study of wine at one of America's leading universities.

In fact, no effort has been spared in producing innovative, healthy food, and wines of unmatched quality.

And it seems that our efforts have been appreciated.

Just recently, the readers of Business Traveller Magazine were asked to nominate their top ten international carriers. These carriers were then invited to take part in a specially staged competition, in which a panel of international experts sampled representative menus.

American Airlines, having entered the competition for the first time, was awarded first place overall for best food and wine in Business and Economy Class.



But the good news about our food and wines is just for starters. You'll be hearing a lot more about our new Business Class service in April. In the meantime, if you'd like to arrange your own tasting on one of our daily transatlantic flights, just contact your travel agent or call us on 0800 010151.

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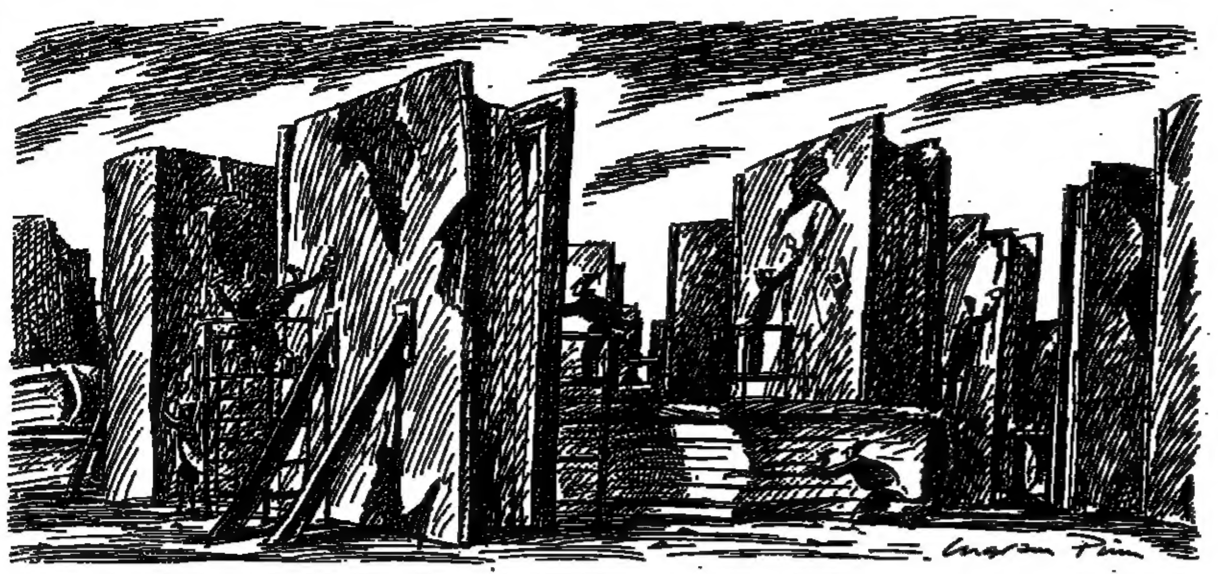
TECHNOLOGY

Clive Cookson reports on the use of chemical treatments to stop the world's books from disintegrating

New chapter opens in a tragic story

A chemical fire is burning slowing through the world's libraries. Tens of millions of books are crumbling away, as acid in the paper breaks down the fibres that hold them together.

"The proportions of the problem are enormous and it is no exaggeration to state that we are facing a national, if not international, disaster," says James Billington who, as Librarian of Congress, heads the US national library. "Our nation's intellectual heritage and the records of human civilisation are seriously threatened."



As librarians have become aware of the problem over the last few years, they have sponsored research into chemical processes which could be used for mass de-acidification of books. The first large-scale treatment centres, handling more than 1m volumes a year, are likely to open during the early 1990s.

Chemical companies – notably Akzo of the Netherlands and FMC of the US – are showing increasing interest in what promises to be a significant niche business. Estimates of the potential size of the paper de-acidification market are still speculative, but it seems reasonable to expect 20m books a year to be treated by the late 1990s at a unit price of $5 each. Several different chemical processes are being tested in pilot plants (see below).

The establishment of industrial papermaking in the mid-19th century sowed the seeds of the disaster now facing the world's libraries. In response to the rapidly increasing demand for books, mechanised mills were built to convert wood pulp to paper. The production process involved chemicals such as aluminium sulphate (a "sizing" agent added to make the paper less porous) which left the finished product slightly acidic.

Over the decades, the weak acids break down the cellulose chains which hold the paper together. As a result the book becomes increasingly brittle and finally crumbles into dust.

Most books printed on pre-industrial paper made from cotton or linen rags are immune to the problem, and so are ancient manuscripts on parchment or vellum.

Books published in the late 19th century are most seriously affected, because their acid paper has been destroying itself for longer than 20th century works. But the vast majority of books printed during this century are vulnerable and will disintegrate unless they are de-acidified. Publishers did not begin moving back to acid-free "permanent paper" until they became aware of the problem in the 1980s – and even today a majority of the world's books are being produced on acid paper.

The Library of Congress in Washington has led the research and treatment programme which is now being pursued by all major national libraries to tackle the chemical fire consuming their collections.

Library of Congress estimates that 98 per cent of its 15m books are printed on acid paper and will require de-acidification sooner or later; one quarter are already too fragile for normal use.

As an interim measure, before mass de-acidification becomes available, libraries are microfilming some of the most vulnerable volumes so as to capture the information in them before they disintegrate. But microfilming is expensive – the total costs exceed $100 for an average book – and it does not preserve the book as a physical object.

It is also possible to de-acidify books by hand but that costs even more – $300 for an average book – and the number of volumes that can be treated in this way is very small. The mass treatments are expected to cost $5-$10 per book.

Although all research librarians now recognise the urgency of the acid book problem, libraries are not yet rushing to invest in mass de-acidification. They are held back by lack of funds and the natural caution of book conservationists.

"One difficulty is that all the methods of mass treatment go against a basic tenet of conservation work: that everything you do should be reversible," says Derrick Priest, professor of paper science at the University of Manchester Institute of Science and Technology.

Some preservation experts want more information about the long-term effect of the protective "buffer" chemicals laid down in the paper. (They are acknowledged to be completely safe for people handling the books.)

Even so, the Library of Congress is about to issue a formal Request for Proposals for facilities to treat 1m books a year and the chemical industry hopes that will encourage other research and university libraries to go for mass de-acidification. The British Library hopes to use the process it has developed with the University of Surrey.

Paper specialists say de-acidification could grow into a $100m a year international business within 10 years, preserving not only library books but also company archives, legal documents and anything worthwhile written on paper that would otherwise destroy itself.

ANY MASS de-acidification process must distribute the active chemicals evenly through large numbers of closed books without damaging the materials. Water-based procedures are not suitable and the processes developed so far deliver the chemicals either as a gas or dissolved in an organic solvent.

The chemicals must neutralise all the acids already present in the paper and at the same time deposit an alkaline "buffer" material to neutralise acids that may form in the years after treatment.

● First to be developed was the Wei T'o process, named after an ancient Chinese god who protected paper. The National Library of Canada in Ottawa has operated a pilot-scale Wei T'o plant since 1981, treating 40,000 books a year.

It uses magnesium methyl carbonate (MMC), dissolved in a mixture of methanol and chlorofluorocarbons (CFCs), to neutralise acids and deposit magnesium carbonate and hydroxide in the paper as a buffer.

The solvent could damage some printing materials and colours, so books are sorted in advance and unsuitable ones excluded.

The books are pre-dried for 24 hours in a vacuum and soaked in MMC solution for 30 minutes. Then the solvent is taken away for recycling and the books rehumidified in a climate-controlled chamber.

The Bibliothèque Nationale in France chose a variant of the Wei are T'o process for the pilot-scale plant which it opened at Sablé-sur-Sarthe in 1987.

The Batelle Institute in Frankfurt, which is evaluating de-acidification technologies for the West German Library, says that the French and Canadian processes would need further development before being used in Germany. In particular solvent recovery needs to be improved so that no CFCs are released into the environment.

● The diethyl zinc (DEZ) process, developed by the Library of Congress in collaboration with Akzo Chemicals, is quite different. DEZ is a highly reactive gas which diffuses through the covers and pages of closed books. No solvent is used and any type of book can be treated.

DEZ neutralises existing acid in the paper and leaves a buffer of zinc oxide. The process takes about two days for each batch of books. After vacuum drying low-pressure DEZ gas is pumped through the treatment chamber. Finally the chamber is purged with nitrogen and the books are re-humidified.

DEZ is a hazardous chemical: it ignites on contact with oxygen in the air and reacts violently with water. The first DEZ test treatment plant, located at the Goddard Space Centre in Maryland, was destroyed in a fire in 1985.

A second pilot plant has run safely since 1987 at the Texas Alkyls chemicals complex. Akzo plans to build a commercial plant in the US and another in Europe, with an annual capacity of 1m books each.

● Another giant chemical company, FMC of Chicago, has developed a process which both de-acidifies and strengthens brittle paper.

The active compound, magnesium butoxy-triglycolate, neutralises acids and leaves behind a buffer of magnesium hydroxide and carbonate. It also links its own chemical chains to the paper's broken cellulose fibres. Bob Wedinger, who runs FMC's preservation business, says the effect is like "tying strings between the two cut ends of a rope."

The FMC process takes less than six hours for each batch of books. It only requires the moisture content to be brought down to 2 per cent in the pre-drying stage, rather than 0.5 per cent for Wei T'o and DEZ, and the company has developed a fast dielectric heating method.

A pilot plant will start up in North Carolina next month and FMC is talking about building a commercial plant that could treat more than 2m books a year in the early 1990s.

● In the UK, the British Library and University of Surrey have jointly developed another process which both de-acidifies and strengthens damaged books.

It inserts polymer chains into the paper. A mixture of monomer chemicals (ethyl acrylate and methyl acrylate) diffuses into the books and is then converted to polymer by irradiation with low-level gamma rays inside a sealed container.

Laboratory tests show that this process will extend the life of decayed paper ten-fold, says Kenneth Cooper, chief executive of the British Library, "and we are on the brink of looking for a commercial partner to scale up the process."

World Bank lends help to global toxic clean-up

The World Bank has launched a global programme to assist poor countries in the development of effective policies for the control of toxic wastes.

The project, embracing collaborative work by research and training institutions throughout the world, is intended to reinforce the Bank's policy of refusing to give development funding to any industrial venture involving the disposal of hazardous cargoes.

These measures follow the Bank's recent decision to make environmental considerations a part of its global lending policy. The measures have been adopted in response to widespread fears of chemical waste being exported from industrialised countries to less developed ones.

The Bank's policy is in line with the provisions of a convention to regulate toxic waste shipments which was negotiated last year under the auspices of the United Nations' Environment Programme. The convention is expected to be passed into law this year. But many chemical companies and waste merchants may seek to beat the law's enactment by increasing their hazardous exports before the convention becomes legally binding.

Many countries, such as Malaysia, Indonesia and Thailand, have recently enacted laws covering the safe storage, treatment and disposal of hazardous industrial wastes. But they lack the technological means to enforce their laws or even to assess how much waste is being produced or imported.

Roger Batstone, an industrial pollution specialist at the Bank, explains: "If a government is unable to enforce its own regulations, you can be certain that the companies generating the wastes are not going to be serious about waste management. Many companies simply look for the cheapest way to get rid of their hazardous wastes. That usually means that they pay a small fee to a haulier who will carry it off and dump it along a highway or in a river."

Toxic wastes are produced in almost every nation. But the Bank believes that the most serious problem exists in the newly developed regions of Asia and Latin America where industries have sprung up before governments have had a chance to establish effective waste treatment facilities or safe disposal systems.

Industrial policy makers in many countries including India, China and the Philippines are involved in assembling development projects that include steps to limit the production of hazardous wastes. The Bank wants to persuade governments that they must provide incentives to industry to adopt technologies that make more efficient use of resources. The cost of clearing up a hazardous waste dump may be 100 times greater than the investment needed for proper waste management.

Scientific and technological research centres are also involved in training and development programmes co-ordinated by such global authorities as the Seibersdorf Laboratories of the United Nations International Atomic Energy Agency. It is working to create an accountancy and control system for industries generating toxic materials.

The Bank has published a set of guidelines* for industry, government officials and engineers. The guidelines are intended to help poor countries to establish dependable waste management programmes.

The Bank insists that it "will not finance any projects in any of its borrowing countries that involve the disposal of hazardous toxic wastes from another country," and "it will not finance the shipment of hazardous or toxic wastes to their disposal in any developing country." However, it will "support the efforts of borrowing countries to build or strengthen their own domestic facilities for effective waste management through recycling, recovery, reprocessing and safe disposal."

Thomas Land

**The Safe Disposal of Hazardous Wastes: Special Needs and Problems of Developing Countries. The World Bank, Paris & Washington, [illegible] 95*

MANAGEMENT

Contract management

Focsa makes a clean sweep in Brighton

The Spanish company may prove to be a trendsetter as European markets open up. **Jimmy Burns** reports

Thanks to a very popular British TV comedy series called Fawlty Towers, the British perception of the Spanish worker has been focused on one "Manuel": a waiter/cleaner/barman of limited imagination and intelligence, who speaks pidgin English and works chaotically.

When last October a Spanish company, Focsa, won a contract to clean the streets and beaches of Brighton, the popular press wasted little time in reverting to type.

Headlines predicted that an army of "manuel workers" would invade Britain's popular seaside resort, and a cartoon showed street cleaners dressed as bullfighters.

"There is an idea around that being Spanish is somewhat seedy," says Jenny Kirkpatrick, of the communications company, Burson-Marsteller, which has had the job in recent weeks of communicating to the public that quite the opposite is the case.

In this she has been ably assisted by Tomas Nuñez, Focsa technical director, who appears determined to show the world that the new cleaning contract is the best thing that has happened to Brighton since its famous pier was built.

The battle for the hearts and minds of Brighton occupants has potentially wide ramifications. In the run-up to the creation of the single market in 1992, Focsa has joined a small number of non-British companies which have won contracts for local services as a result of government policy of opening up local authorities to private competition.

Focsa is a subsidiary of Construcciones y Contratas (Conycon), one of Spain's fastest expanding industrial and financial holding groups in recent years. Nuñez makes no secret of the fact that he regards the Brighton contract as a potential stepping stone towards other similar contracts in cities throughout Britain.

In management terms, the contract is not only a test of Britain's ability to overcome underlying prejudice and accept a large measure of cross-culturalisation, but of whether the Europeanisation of the British market can bring about greater efficiency or less.

On the first point, Nuñez has declared victory. Struggling only a little with his English and with a little occasional help from Kirkpatrick (who speaks no Spanish), Nuñez says: "I think Spain has changed a lot in recent times. I think the English look at us differently from the way they did, say, ten years ago when Spaniards who came to England were immigrants and from the lower classes."

He adds: "People have already made me very welcome in Brighton for which I want to thank them."

On the second point Focsa claims progress already. It has introduced an innovative three-wheeler van for collecting rubbish. It is also making its staff work a flexible shift, six days a week, with Sunday working if called upon to do so. As for trade union recognition, Nuñez is keeping his options open.

Under the previous cleaning contract run by the local authorities, staff worked a five-day week and earned overtime. There was also relatively strict demarcation between jobs, and unions were fully involved in collective bargaining. The previous working pattern also meant that rubbish was collected only once a day, early in the morning, instead of throughout the day, as now.

Nuñez says: "We are a commercial company which has to make a living. And the way we're keeping going is because we are giving the council good services at a good price."

Nuñez's administrative offices recently resounded to a lively gabble of Spanish voices. Black tobacco smoke lay thick on the air. Dictionaries were strewn around the tables along with the papers, brochures, and wages slips. Kirkpatrick insisted on conducting the interview in more serene surroundings in another part of town.

The Spanish voices belonged to a team of advisers brought over to help set up the company's operation. Nuñez says that the majority were only temporary and that the bulk of his 114 staff was being recruited locally.

Was this a response to local pressure?

Nuñez, speaking in English, was unequivocal: "The policy of our company is to employ local people because we find this more interesting and more economical. In business it's not a question of one nationality or another but of getting the people who are best qualified."

Although Brighton has a fairly large Spanish community, only one Spaniard applied for a street cleaning job when Focsa advertised in the local press. The rest of the workforce previously worked for the local council or were unemployed and applied in the local job centres.

The Spanish cleaner refused to be interviewed for this article on the grounds that he did not want public attention to be drawn to him.

One former British employee of Focsa agreed to be interviewed but on the condition that he remained anonymous. He left the company five weeks ago, partly because of back problems and partly because of language problems. He is looking for another job.

"If I'd been working for an English company it would have been different. I could have explained about my back problems. But with these Spaniards ... well, I just couldn't get through ..."

Paul Cadman is a local shop steward with NUPE, the public service trade union, who has close contact with Focsa employees. He says that the fact that their employer happens to be Spanish as opposed to British has become increasingly irrelevant: "The staff are prepared to treat Focsa like any other employer as long as their terms and conditions are all right."

Another local union officer, Eddie Blake, of the GMB general union, says that while there is no "anti-Spanish feeling" among his workers, his union does regard it as a priority to ensure that as many Focsa jobs as possible go to British nationals.

Blake adds: "Of course, after 1992, when there will be a free flow of labour, we have to accept that things will be different."

Nuñez would not predict what would happen after 1992. Instead, armed with a smartly bound history of Focsa, he talked enthusiastically of his company's already considerable experience beyond Britain's shores – cleaning cities all the way from Marbella in Spain to Caracas in Venezuela.

"We have thrived and grown for 90 years by not disappointing our clients ... we are employing new technology and new working practices which help increase efficiency and reduce costs."

One letter to the local press displayed by Kirkpatrick conveys huge satisfaction among the local population at the speed with which Focsa had made Brighton sparkle since beginning its operations at the end of January.

Cadman claims that not all is well in the Focsa camp. Not only have more than 20 workers left the company after complaining of poor working conditions, but the outlying suburbs of Brighton – rarely visited by tourists – are rather dirtier than the centre, an allegation denied by the company. The only certainty is that no one in Brighton is talking about Manuel workers any more.

Demographics

Why the over-50s still have time on their side

Christina Lamb reports on attitudes towards the older manager

There is something rather ironic about job adverts which specify an age limit for applicants, and underneath claim "We are an Equal Opportunities Employer".

Emphasis on the youth culture and the belief that young managers create more dynamic companies mean that older managers have been discriminated against.

Cost cuts by companies almost invariably mean those *nearest retirement are the* first to go since younger people are prepared to work at lower salaries. But today an increasing number of experts are saying that managers over 55, far from being resistant to change, have a lifetime of varied experience to offer. After all, since 1945, they have had to adapt to the introduction of such developments as photocopiers and calculators.

Demographic changes which mean fewer new entrants to the workforce are forcing people to reconsider employing the mature manager. A recent survey by the Management Consultancy Association of 100 UK chief executives found the greatest concern for the 1990s to be people availability. Twenty seven per cent said the most important action needed was to employ older people.

One of the UK's best known older managers, Sir Ian MacGregor, the former chairman of British Steel and the National Coal Board, says that a large resource is being ignored.

MacGregor, who was in his 70s when he was asked to head the coal board, points out that not only are there fewer young people but improvements in health and medicine have resulted in people living longer, so there are more retired for working people to subsidise. In the US by the end of this decade there will only be two working people for every retired person.

MacGregor told a conference in London this week: "We will soon reach a time when the idea of retiring at 65 is no longer economically valid, either for the individual or to the whole cost of running society. It could be that sound economics will require us to expand the working life of the average person."

He drew attention to the training and skills difficulties faced by companies today and criticised the education system for failing to produce people interested in learning skills.

"One of the problems we face is that training young people takes time, costs money and requires a basic education ... the declining availabil*ity of trainable young people* means that in order to succeed, companies must now look to older managers."

MacGregor denies that for organisations to have dynamism and drive they need to be run by younger people – like Alan Sugar and Richard Branson. He points to the dramatic growth of the Hanson Group and the turnround of British Airways. Both are headed by men well over 50 – Lord Hanson and Lord King, respectively.

According to MacGregor, there is often more competence among senior management within organisations than people give credit for. "When I joined British Steel in 1980 I'd been advised by outsiders of great deficiencies within management. Instead I found an enormous reservoir of knowledge and experience in the older management all of whom had the desire to be part of a winning team. My task was not to bring in new people but motivate those we had."

Preconceptions that intellectual or physical capabilities must decline with age are myths that are not supported by evidence, according to Paul Thorne, a corporate psychologist who heads the Psychom Partnership.

"People learn differently, not less well, as they grow older," he argues, but says they must be given new activities in order to be stimulated and different kinds of task requiring more data analysis rather than those where speed is of the essence.

"Judgment about age should not be about age collectively," says Thorne. "Differences widen as people get older – the good get better and the bad worse. The best older managers are often better than the best younger."

He argues that studies have found no connection between age and work performance. Older managers may take longer, he admits, but that is because they feel the need to consider more options.

Peter Naylor, vice-president of the Institute of Personnel Management, agrees that *age is a poor criterion of ability.*

"UK and US evidence shows that the job performance of managers actually improves as they get older. We need to have a more positive image of the older man and respect their wide breadth of experience rather than imagining them as dribbling, incontinent and unable to remember names."

Attitudes to the older manager are changing, believes John Appleyard of the Job Change Project which helps professionals who have been made redundant. However, he says that while companies are turning to older managers, they are trying to exploit them by offering re-employment at lower wages.

Thorne complains that organisations, by parading youth culture and retiring people early, create depression among older people, which affects their performance. They become jealous of young graduates and, feeling out of date, start acting aggressively – thus turning into the stereotyped older manager.

He says preconceptions that people over 50 cannot be taught anything because of the loss of physical neurones should be cast aside. "Although we lose 100,000 brain cells per day (36 m yearly after the age of 25), this is from a base of 10-15 bn – leaving us 85-95 per cent, and as we don't use more than about 2 per cent this is quite enough."

So there is hope for the Mature Manager. The message is – it's who you are not how old you are.

After all Verdi was 80 when he wrote Falstaff.

CONTRACTS

Equipping Indonesian power station

HAMON-SOBELCO, Belgium, has been awarded a US$42m (£25.4m) contract for the supply of thermal and chemical equipment for the turbine island of Paiton power station, a coal-fired unit owned by PLN, the Indonesian electricity authority. The order is for delivery, erection and commissioning of the condensing and feedheating plant, boiler feed pumps, circulating water intakes, and water treatment plant for two 400 MW units. Sumitomo Corporation, Japan, is the main contractor.

★★★

JOHN SISK AND SON will start work shortly on contracts worth £12.5m. In the commercial sector contracts include a £5m five-storey office construction in Hammersmith and a £3m refurbishment and air conditioning installation at the new headquarters building of Ladbroke Racing in Rayners Lane, Middlesex. Among the leisure sector contracts is a £2.5m management contract to refurbish the Westbourne Suite at the Royal Lancaster Hotel, London W2, and a £300,000 demolition and stripping project at the Londonderry Hotel, London W1.

★★★

ML HOLDINGS's Yorkshire-based subsidiary, ML Slingsby Group, has won a £14m contract to supply large components built in composite materials for the British aerospace Jetstream 41 airliner.

★★★

SULZER (UK) BUILDING SERVICES has received orders for the installation of mechanical and electrical services totalling over £14m. They include a £2.3m project for Taylor Woodrow at a residential training college at Warnborough, Hants; and a £2.5m contract from John Laing Midlands at East Birmingham Hospital.

★★★

A variety of contracts totalling £12m have been awarded to SHEPHERD CONSTRUCTION's Darlington office. Among the contracts are projects at Gateshead, Barnard Castle, Darlington and Carlisle.

The largest is a £4.1m design and build office development scheme on Team Valley Trading Estate, Gateshead, for Akeler Brighouse. Shepherd Design Group is the architect for the development which comprises two, mainly two-storey, office buildings to provide 64,600 sq ft (6,000 sq metres) of lettable office space.

Two contracts for Glaxo Operations (UK) at Barnard Castle total £4.2m. The larger of the projects is for the £3.3m superstructure for an extension to the K2 production building. Shepherd is also carrying out alterations to "C" Block to provide a production facility.

Darlington Civic Theatre will be considerably enhanced on completion of a £1m extension contract for Darlington Borough Council. This will provide the theatre with 300 additional seats and new foyer and bar facilities.

Container cranes

DAVY MORRIS, Loughborough, part of the Davy Corporation, in a joint venture with Kranco Material Handling, Houston, Texas, has won a US$16m (£9.7m) order from the Port of Houston Authority for container handling cranes to be installed at the Barbour Cut terminal. The contract is for two ship-to-shore cranes, and four rubber-tyred gantry cranes. The cranes will be made in Texas, using Davy Morris design and technology.

★★★

HAWKER SIDDELEY POWER ENGINEERING has won an engineering, procurement and construction contract valued at over £8m, from Petroleum Development Oman, of the Sultanate of Oman. The contract forms part of the development of the Lekhwair oilfield. The project will result in the production by 1994 of about 100,000 barrels per day from the field, around 1/6 of the country's current total output. HSPE will be responsible for the provision of a 132 kV overhead power transmission line between Yibal and Lekhwair, a 132/33 kV substation at Lekhwair and a 33 kV substation at the new Lekhwair residential camp now under construction. The contract will also provide for an extension to the 132 kV substation at Yibal.

★★★

Norske Shell, operator of the Draugen field in Haltenbanken, has awarded a contract for freight forwarding services to VESTBASE in Kristiansund. The contract has an estimated value of NOK 50m (£4.6m), consisting of a fixed fee and reimbursible components for the project's material movement requirements. Vestbase will be responsible for the administration of freight forwarding and customs clearance for about 18,000 tonnes of equipment and material for the Draugen topsides.

★★★

STC has won a £3m contract to supply a Northern Telecom DMS-100 Supernode exchange to British Telecom. The switch will be the basis for a new service to be known as International FeatureNet. This is planned to commence in the autumn, and will allow multinational companies to extend their private communications network to international locations using BT's public telephone service. A subscriber's UK network will be able to connect to those of overseas carriers in 158 countries.

★★★

MORRISON KNUDSEN CORP, Boise, Idaho, has a contract worth over $5m (£3m) from a division of Atlantic Richfield to decommision a uranium mill in New Mexico which was operating from 1952 to 1982. MK will dismantle, demolish and dispose of all buildings and facilities on the site.

★★★

HOLDER PAMAC, part of the Simon Engineering Group, has won a £3m fixed price contract to design and build a paper machine for James Cropper's Burneside mill in Kendal. The single wire fourdrinier machine will produce coloured, fine, watermarked and felt marked papers. It will operate at speeds up to 250 metres/minute, and will be capable of future speeds up to 500 metres/minute. The wire width will be 3650mm, and the machine will trim at 3250mm.

Automating Chinese bank

NCR CORPORATION has won a US$3m (£1.8m) contract from the People's Bank of China, the central bank, for automated cheque-clearing equipment, the first such system in the country. It will be installed at the Guangzhou (Canton) branch, near to Hong Kong, where the bank has 13 branches. The system is intended to handle up to 100,000 cheques a day.

★★★

The pump division of BW-IP INTERNATIONAL, Cologne, has won a US$1.5m (£914,634) order for three motor-driven Byron Jackson multi-stage pumps. To be delivered in April, the pumps will be at a natural gas processing plant in Karatschaganak, USSR.

CARLTON BUILDING SERVICES, a division of the Melville Group, has won contracts valued at £6m. The awards cover a wide range of fitting out projects, including offices in London for Citibank, a development of luxury flats in Docklands for Peat Marwick and offices in Canary Wharf for Olympia and York.

★★★

A £5m contract to refurbish the exterior and interior of Northwood Tower, a 21-storey block of flats, has been awarded to VAT WATKINS by the London Borough of Waltham Forest. Other group projects include the £1m modernisation of five blocks of flats in Tadworth for Reigate and Banstead Borough Council.

★★★

SIMON-HARTLEY HONG KONG, a member of the Simon Group, has received two contracts, worth £4m, for the improvement of the activated sludge treatment process at Sha Tin and Tai Po sewage treatment works, from the Hong Kong Government.

★★★

MULTI CONSTRUCTION has received two orders worth £2m each. Trafford Metropolitan Borough Council has placed a contract for a sports hall at Urmston Girls Grammar School and Barnsley Metropolitan Borough Council has commissioned the building of a home for the elderly at Wombwell, Barnsley.

★★★

Management contracts worth more than £1.25m have been awarded to the PSD GROUP by Marks and Spencer for the project management of shop fitting installations at stores in Welwyn Garden City, Cardiff, Chichester and Ilford.

★★★

Chesterfield-based tunnelling and pipe jacking specialist, LASERBORE, has been awarded a £1m sewerage contract in Herne Bay, Kent, by Canterbury City Council acting as agents for Southern Water. The contract, part of the scheme to upgrade the town's sewer system, requires the installation of 1,000 metres of pipe jacking and 1,000 metres of open cut.

★★★

Flix Menswear, which operates 22 stores on the South Coast, is to invest £250,000 in a central computer EPoS systems from PENNINE COMPUTER SERVICES.

FT LAW REPORTS

Ship's deviation was reasonable

AL TAHA
Queen's Bench Division: Mr Justice Phillips: February 1990

A SHIP'S reasonable deviation from its contractual course is not rendered unreasonable under the Hague Rules by the fact that it was planned before conclusion of the contract of carriage or commencement of the voyage, nor by an act of negligent navigation during the deviation; and accordingly, the shipowner is not liable for loss suffered as a result of the deviation and is entitled to a general average contribution from cargo-owners for expenses incurred.

Mr Justice Phillips so held when giving judgment for the plaintiff shipowners, Lyric Shipping Inc, on a claim for general average contribution against cargo-owners, Intermetals Ltd, as first defendants, and guarantors, Phoenix Assurance plc, as second defendants.

HIS LORDSHIP said that by a charterparty dated December 24 1981 the Al Taha was time-chartered for a trip beginning retroactively on December 14 1981. On December 26 she ran into heavy weather in the Atlantic. Her agents decided she should proceed to Boston outer anchorage for bunkers.

On January 5 the vessel was still at sea in the grip of heavy weather. Her No. 6 boom broke free and was damaged. The agents and managers re-appraised the situation in the light of the need to effect repairs.

They decided that the vessel, which was equidistant from Boston and Portsmouth, would proceed to Portsmouth where she was to load a cargo of shredded scrap metal for carriage to Izmit in Turkey. While loading was in progress repairs would be carried out. The boom would be transported by road to Boston for repairs.

That plan was put into effect. The Al Taha arrived at Portsmouth on January 8. Loading of cargo commenced and continued until the 15th.

During that period heavy weather damage was repaired. The boom was taken to Boston and repaired by the 14th. Snowfalls impeded bringing it back by road.

On January 15 a bill of lading was signed by the master acknowledging shipment of the cargo. The contract of carriage contained in the bill of lading was subject to the US Carriage of Goods by Sea Act 1936 (US COGSA).

On the 16th the Al Taha sailed for Boston and was berthed in the inner harbour. The boom was replaced, additional heavy weather damage was repaired, and fuel was loaded. By January 19 the vessel was ready for sea. It was then necessary for her to wait for the tide.

The docking pilot negligently took Al Taha out of her berth too soon. She moved astern while the tide was still rising. She took the ground and sustained damage. It was necessary for her to put back to Boston as a port of refuge.

As a result of the grounding the owners incurred expenses in respect of which they claimed $883,058 general average contribution from cargo-owners.

US COGSA applied the Hague Rules to the contract of carriage.

Article IV rule 4 of the Rules provided that "any reasonable deviation shall not be deemed to be . . . breach . . . of the contract of carriage, and the carrier shall not be liable for any loss or damage resulting therefrom . . ."

The cargo-owners contended that in putting into Boston the Al Taha unlawfully deviated from the voyage from Portsmouth to Izmit.

Under a contract of carriage for a single voyage the vessel was obliged to proceed by "a usual and reasonable route without unjustifiable departure from that route" (*see Scrutton on Charterparties 19 ed 259*). As to the choice of bunkering ports, the doctrine of stages enabled the shipowner to fix the stage, ie to determine where he would bunker (*see Reardon Smith [1939] AC 562,575*).

The evidence established that for a vessel proceeding from Portsmouth, Boston was the usual bunkering port, and that the usual bunkering place was the outer anchorage. The shipowners conceded that proceeding to inner harbour at Boston constituted a deviation.

In *Stag Line v Foscolo Mango [1932] AC 328* Lord Atkin said the test of a lawful deviation under Article IV rule 4 was "what departure might a prudent person controlling the voyage at the time make and maintain, having in mind all the relevant circumstances . . ."

On the evidence the decision to bunker at Portsmouth after loading, rather than call at Boston for bunkering and repairs before loading, was the only reasonable decision to make once the fact and implications of the heavy weather damage were appreciated.

The decision to put into Boston inner harbour to collect the boom was taken on or about January 15. It enabled the vessel to sail on the following day. The alternative would have been to wait at Portsmouth until at least the 18th and possibly longer for the boom to be re-delivered by road.

It followed that the deviation into Boston inner harbour was reasonable.

Mr Steel for the cargo-owners submitted that the deviation permitted by Article IV rule 4 must be made *ex improviso* as a consequence of some contingency which arose or was discovered after the contract of carriage was concluded and the voyage commenced – both being on January 15 when the bill of lading was signed.

A planned deviation would, in his submission, always be a breach of contract unless the contract of carriage expressly permitted that deviation.

He referred to *Monarch Steamship v Karlshamns [1949] AC 196, 212* where Lord Porter said that deviation necessarily made to remedy unseaworthiness did not amount to unjustifiable deviation "unless it is established that the owners knew of the vessel's state on sailing."

In *The Willdomino (1927) 272 US 718, 727* McReynolds J dealing with the Common Law right to deviate in cases of necessity, said "an emergency situation to excuse a departure cannot arise out of circumstances deliberately planned."

Mr Clarke for the shipowners submitted those decisions had no application to the test of what was a reasonable deviation under Article IV rule 4.

That was correct. In *Stag Line* Lord Atkin rejected the contention that the rule did no more than reflect the position at Common Law.

A "reasonable deviation" within Article IV rule 4 could be a deviation planned before the voyage began or bills of lading were signed.

In practice such a planned deviation was likely to be reasonable only where it was planned in order to perform the contractual adventure and where the doctrine of stages rendered such a method of performance legitimate.

Article IV rule 4 would apply in such a case, provided that the deviation planned constituted a reasonable manner of performing the contractual adventure.

In the present case the No 6 boom was necessary if the Al Taha was to be reasonably fit to discharge her cargo at destination. It was not necessary to render the vessel seaworthy at commencement of the voyage. It was reasonable to plan to deviate to collect the boom en route rather than to wait for weather conditions to permit delivery at Portsmouth. The mode of performance was within the liberty afforded by Article IV rule 4.

Mr Steel submitted that the manner of performance of the deviation, namely negligently leaving the berth before there was sufficient water to do so safely, was unreasonable and so rendered the deviation unlawful.

That was not right. In *Stag Line* Lord Atkin said it was not a "mere error of navigation," but "failure to pursue the true course" which made the relevant deviation cease to be reasonable.

A distinction must be drawn between the planned deviation which must be reasonable, and acts or omissions in the course of attempting to carry out the planned deviation. An act of negligent navigation in the course of carrying out a reasonable deviation would not render the deviation itself unreasonable.

What occurred in the present case was an act of negligent navigation in the course of a deviation which was reasonable. The owners remained entitled to rely on Article IV and were thus not liable for the docking pilot's negligence. Their claim for general average contribution was not defeated by that negligence.

Judgment against both defendants for $883,058 with *interest*.

For cargo owners: David Steel QC and Paul Walker (Clyde & Co).

For shipowners: Anthony Clarke QC and Charles MacDonald (Lloyd & Co).

Rachel Davies
Barrister

THE PROPERTY MARKET

Developers pose a £32bn question for banks

By Paul Cheeseright

Banks have nearly £32bn at stake in the property industry. Many would dearly love to know how this sum will be paid back.

"Bank borrowings by developers are enormous," noted Norman Bowie, elder statesman of the industry at a recent investors forum of the Royal Institution of Chartered Surveyors. "Some say twice that of the UK loans to the Third World. If developers cannot find tenants and sell, as they had planned, to buyers at the historic yields of early 1989, there could be trouble ahead."

The trouble, not for the first time, is the lack of liquidity. The bank loans were taken out on the assumption that there would be somebody to buy a property once completed or pay a rent high enough to cover the cost of the money.

There are still buyers in the market at the right price, but they are not as thick on the ground as in 1987-88. And there are still tenants looking for space, but not necessarily at rental levels appropriate for servicing loans at current interest rates.

How much of that £32bn is at risk is not clear. Some of the money relates to loans taken out at times of lower interest rates and was probably fixed. Borrowers may have taken out swaps and caps. Probably only a small portion is up for repayment immediately.

The problem is with companies holding completed speculative developments which have no tenants and no buyers and with companies facing a shift in the ratio of borrowing to a project's completed value because the latter has slipped in a sluggish market.

Considering the possible range of buyers, solace is not easy to find.

Potential owner-occupiers, private investors and smaller property companies seeking to build an asset base are all handicapped by the same difficulties that affect the potential seller: high cost of money and slipping capital values.

Until the economy picks up and there is a return of confidence in the industry – towards the end of the year perhaps? – there will be little help from them. That leaves two other immediate sources of finance, one doubtful, the other more forthcoming.

● Institutions. There is not much hope of any immediate surge in property buying from the domestic insurance companies and pension funds. "It is unlikely most of the major players will be significantly in the market. The well-established players have a high proportion of property in their portfolios already," says Michael Mallinson, property director of Prudential Portfolio Managers.

The accompanying graph helps to explain that reticence. By and large, the institutions want liquid, easily tradeable assets and property meets neither of those two criteria. In any event, the progressive withdrawal of the institutions from the market throughout the 1980s has changed the relative importance of debt and institutional equity in property. Indeed, the domestic institutions have shown their readiness to sell in the face of the wave of foreign buying interest.

Foreign institutions have become important players but their main concern hitherto has been central London and it is difficult to see many of them branching out into the regions at this point of the industry's cycle.

● Banks. A survey just before Christmas by Woolgate Property Finance showed how the banks were still ready to lend against property. But what they now face is the prospect of refinancing outstanding loans.

"An awful lot of refinancing is going on, or rather, people are trying to refinance," noted one European banker, observing that the brokers were busy punting packages around the market. But the difficulty for the borrower is, again, the interest payments. Many development loans were taken out on the basis of rolling up the interest. To refinance would usually mean making some interest payments at a time when cashflow is squeezed.

The alternative to refinancing is for the banks to take possession of the property against which the loan was taken out in the first place. But this, it is agreed, is the last resort. Banks and borrowers in the British property industry, as in the developing world, may be forced to stick together even if the ride is uncomfortable.

The refinancing solution is the most obvious and in the short term probably the easiest palliative for the liquidity problem. But there are other financial devices becoming available which could bring, gradually, more funds into the industry.

● AUTHORISED PROPERTY UNIT TRUSTS. By the end of the month, the Department of Trade and Industry and the Securities and Investments Board should publish another draft of regulations to cover their trading.

But the launch of such vehicles depends crucially on "tax transparency," meaning that the Inland Revenue takes tax once, either from the trust or the individual investor, but not from both.

The Inland Revenue has been holding talks with people in the industry on just this topic but with what intent is not clear.

● SINGLE PROPERTY INVESTMENT SCHEMES. They have been talked about, but foundered on tax considerations. Their day has yet to come.

● PROPERTY FUTURES. The London Futures & Options Exchange is laying the ground for the launch of a futures contract, linked to an existing property index or derivatives from it. But the regulatory basis has not been settled and much technical work has to be completed before a contract covering such a diverse industry can be drawn up.

Should such a contract be actively traded and used as a hedging medium then the property industry would have another source of liquidity, but it seems unlikely that either this or the equity investment option of trusts will be available quickly enough to meet any but a small part of the £32bn problem.

Institutions, warned Mr Mallinson, will not buy out that sum "in an equity form but they may buy it out in a debt form." This raises the question of:

● BONDS. The present fixed interest market is at a low ebb. According to UBS Phillips & Drew figures, over £2.77bn was raised in new issues by property companies from 1986 to 1989, but there have been only three new issues since last September, to raise £131.3m. There has been one new issue this year.

Yet, as Russell Schiller, head of research at Hillier Parker, chartered surveyors, pointed out in the Estates Gazette, "bonds are replacing bank loans as the principal source of debt in many markets. They have enormous flexibility and can be packaged to the particular requirements of the buyer. They are tradeable in a way that bank debt is not." And, of course, they are tradeable in a way that a direct equity interest in a specific property is not.

Mr Mallinson sees attractions in mortgage bonds secured on assets providing an income flow at a rate a little above gilts.

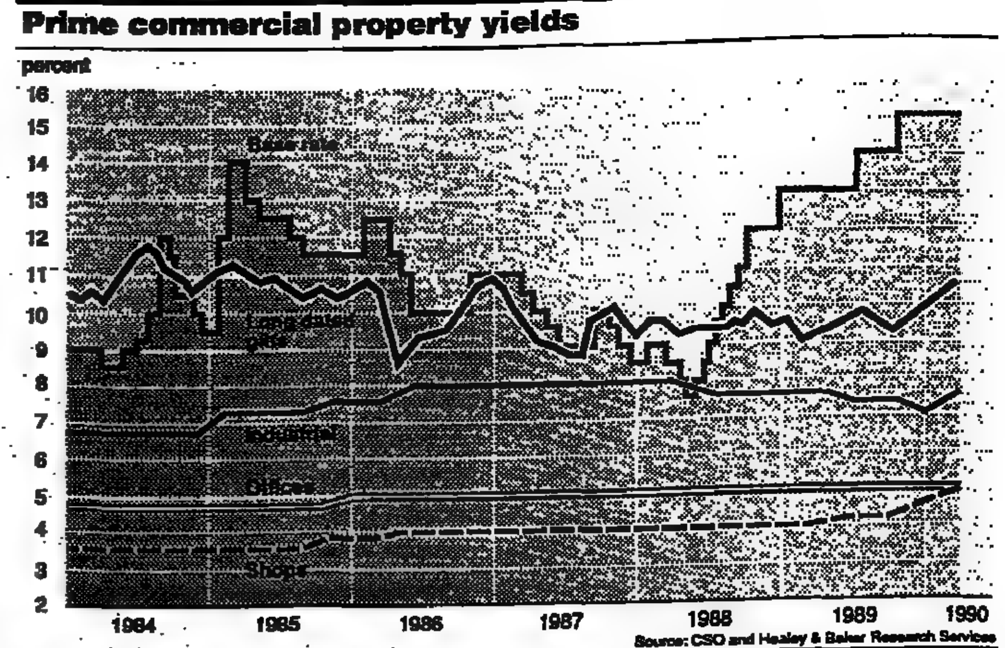
The spread of such instruments may provide the answer to the £32bn problem – but only when property owners can afford to fund them at a rate attractive to other investors. And that is probably not now.

CAPITAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to January 90	2.2	14.1	19.2	9.5
Quarter to January 90	-2.6	-0.7	1.3	-0.6
Month of January 90	-0.8	0.2	0.7	-0.1

Source: Investment Property Databank

Prime commercial property yields



Source: CSO and Healey & Baker Research Services

INTERNATIONAL PROPERTY

INTERNATIONAL PROPERTY

COMPANY NOTICES

KAWASAKI STEEL CORP.
Japanese Yen 10,000,000,000
Reverse Floating Rate/Fixed Rate Notes Due 1996

In accordance with the terms and conditions of the Notes, we hereby give notice that the Yen Libor for the period from 9th March 1990 to 10th September 1990 was fixed at 7.625% giving the Interest Rate Factor of −1.4105/360. On 10th September 1990 interest of Yen nil will be due per Yen 1,000,000.

The Taiyo Kobe Bank Limited
London Branch
Agent Bank

Dated: 9th March, 1990

THE ROYAL BANK OF CANADA
U.S. $300,000,000 Floating Rate Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the Interest Period commencing 12th March 1990, the Notes will bear interest at the rate of 8¾% per annum. The interest payable on 12th June 1990 against Coupon No. 17 will be U.S. $22.041667 per U.S. $1,000 nominal.

Agent Bank
ROYAL BANK OF CANADA EUROPE LIMITED

THE KYOWA BANK, LTD.

NOTICE TO THE HOLDERS OF THE KYOWA BANK, LTD.

U.S.$100,000,000 1¾ per cent. Convertible Bonds Due 2002 (the "Bonds")

On the 23rd day of February, the Board of Directors of The Kyowa Bank, Ltd. (the "Bank") resolved to make to shareholders of record on the 31st of March, 1990, a free distribution of shares at rate of 0.05 share for one share held, provided that fractions less than one share which should be otherwise distributed to the shareholders shall be aggregated and sold to third parties. The proceeds of such sale shall be distributed as a cash adjustment to the affected shareholders.

According to the above resolution, the Conversion Price of the Bonds after giving effect to the aforesaid free distribution of share will be adjusted. Notice is hereby given pursuant to Condition 5 (C) (xi) of the Terms and Conditions of the Bonds and Clause 7 (B) of the Trust Deed dated 24th August, 1987 between the Bank and Bankers Trustee Company Limited as follows:

Previous conversion price	¥1,381.00
New conversion price	¥1,314.40

Since the record date will be the 31st of March, 1990, the new price will take effect on the 1st day of April, 1990.

The Kyowa Bank, Ltd.
London Branch
as Principal Paying Agent

LEGAL NOTICES

NO. 00 8047 of 1990

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF UNOTRUST EUROPE PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated 29th day of January, 1990 confirming the cancellation of the share premium account of the above-named Company in the sum of £7,111,645 was registered by the Registrar of Companies on 19th February, 1990.

Dated this 8th day of March 1990.

Lovell White Durrant of
73 Cheapside
London EC2V 6ER

Solicitors for the above-named Company

Commercial Property advertising appears every Friday

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ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
9	10	11	12	13	14	15

OPERA AND BALLET

London

Royal Opera, Covent Garden: the long-awaited new production of Strauss's *Elektra* is by Götz Friedrich, and is a particular triumph for Eva Marton in the title role and the conductor, Georg Solti. Further performances of *Otello*.
English National Opera, Coliseum: David Pountney's witty, sharp-edged production of Prokofiev's *The Gambler* is revived with Graham Clark once again in the leading role and the conductor is Sian Edwards. Also in repertory: Pountney's polemical (and problematic) *Traviata* production, with Helen Field in the title role and Alan Opie and Edmund Barham as the Germonts; and *The Mikado* in Jonathan Miller's celebrated "white-hotel" re-working.

Paris

Théâtre des Champs Elysées. Borodine's *Le Prince Igor* in a new production by Warsaw's Teatr Wielki (47203637).
Opéra Comique. Mozart's *Idomenee* performed by the Orchestra d'Auvergne conducted by Jean-Jacques Kantorow (42600499).
Paris Opera. Bejart and the Lausanne Ballet bring *Autour du Ring* created by Bejart to Wagner's music, to the Palais Garnier (47425371)

Brussels

Cirque Royal. Ballets de Monte-Carlo in *The Leaves are Fading* choreographed by Anthony Tudor and *Gaite Parisienne* choreographed by Leonide Massine (Fri, Sat).
Theatre Royal de la Monnaie. The Monnaie Opera in Mozart's *Die Entfuhrung aus dem Serail*, co-production with the Vienna State Opera staged by Ursel and Karl-Ernst Herrmann, conducted by Emil Tchakarov (Sun).

Vienna

Staatsoper. *Eugen Onegin* by Tchaikovsky. *Andrea Chenier* by Giordano. *Die Zauberfloete* by Mozart. *L'Italiana in Algeri* by Rossini. Ballet: *La Sylphide* by Lovenskjold, choreography by Peter Schaufuss.
Volksoper. *Eine Nacht in Venedig* by Johann Strauss. *Die Csardasfurstin* by Emmerich Kalman. *Der Zigeunerbaron* by Johann Strauss. *Wiener Blut* by Johann Strauss. *Die Lustige Witwe* by Franz Lehar. *Die Hochzeit des Figaro* by Mozart. *Der Bettelstudent* by Karl Millocker.

Milan

Teatro Alla Scala. Riccardo Muti conducting Mozart's *La Clemenza di Tito*, with Cheryl Studer, Susanne Mentzer, Ann Murray, Giorgio Surjanand Goesta Winbergh (Fri, Sun, Tues and Thur). (80.91.26)

Rome

Teatro dell'Opera. Alberto Fassini's production of Massenet's *Werther*, conducted by Nicola Rescigno, with Martha Senn and Alfredo Kraus (Sat, Tues). (46.17.55).
Teatro Argentina. The Riga Opera Ballet in an aninimated and elegantly-danced production of the *Sleeping Beauty*, from which the second act is inexplicably missing (Fri) and *Swan Lake* (Sat, Sun)(6544601).
Bologna Teatro Comunale. Wagner's *Seigfried*, conducted by Peter Schneider, with Ute Vinzing, Wolfgang Fassler and Kurt Rydl (sung in German).(Fri, Sun and Tues) (529999).

Parma

Teatro Regio. Claude d'Anna's production of Verdi's *Ernani* conducted by Hubert Soudant, with Chris Merritt in the title role, Renato Bruson as Don Carlo and Leona Mitchell alternating with Maria Dragoni as Elvira (Tues and Thur) (795678).

Madrid

Teatro Lirico Nacional la Zarzuela. *El Viajero Indiscreto* has its world premiere this week. It is a contemporary opera with music by Luis de Pablo.

Berlin

Opera. Mara Zampieri repeats her much praised performance in the title role in *Das Maecchen aus dem Goldenen Westen*. *The Magic Flute* features Elfie Hobarth, Edith Mathis, Jane Giering, Clemens Bieber, Christian Boeschand Bengt Rundgren.

Hamburg

Opera. The Ballet *Romeo Et Juliet* has wonderful John Neumeier choreography. John Dew, the producer of Wolfgang Rihm's opera *Hamletmaschine* made some changes of the revived version, to catch up with the political changes in Germany. The cast includes June Card, Richard Salter, Susanne Otto, Carmen Fugiss and Renate Spingler. *Tosca* has Leona Mitchell in the title role, Giacomo Aragall (Cavaradossi) and Eduard Tumagian (Scarpia).

Cologne

Opera. *Salome* conducted by Cologne's music director James Conlon with Stephanie Sundine, outstanding in the title role. *La Finta Giardiniera* is well sung by Teresa Ringholz, David Griffith, Janice Hall, Darla Brooks, Andrea Andonian and John la Pierre.

Frankfurt

Opera. Johannes Schaaf made a very successful opera debut as producer of Schostacovich's *Die Nase*. The main parts are well sung by Alan Titus, Bodo Schwanbeck, Dieter Bundschuh and conducted by Oleg Caetani. *La Clemenza di Tito* has a strong cast led by Helena Doese, Alicia Nafe, Margit Neubauer and Vinson Cole.

Munich

Opera. *Der Freischuetz* is a well done repertoire performance with Walter Raffeiner, Julie Kaufmann and Alfred Kuhn. *Le Nozze di Figaro*, conducted by Bernhard Klee features Jeanne Piland, Gudrun Wewezow, Hans Helm, Alan Titus and Alfred Kuhn. *Arabella* stars Gertrude Jahn, Lucia Popp, Julie Kaufmann and Peter Seiffert.

New York

Merce Cunningham Dance Company. This great contemporary company has achieved its own classic status as shown in programmes that remain exciting despite their familiarity. Ends March 25. City Centre (581 7907).
Metropolitan Opera. Carlos Kleiber conducts Franco Zeffirelli's production of *Otello* with Katia Ricciarelli as Desdemona, Placido Domingo as Otello and Barry McCauley as Cassio. Performances continue of James Levine conducting *Die Entfuhrung aus dem Serail* in John Dexter's production with Mariella Devia, Barbara Kilduff and Gosta Winbergh. Gian Carlo Menotti's production of *Manon Lescaut* conducted by Thomas Fulton features Mirella Freni, Peter Dvorsky and Italo Tajo. Harold Prince's production of *Faust*, conducted by Charles Dutoit, continues. Lincoln Center Opera House (362 6000).

Washington

Washington Opera. In its last week, Zack Brown's production of *Die Fledermaus*, conducted by John Lanchbery, includes Pamela Coburn as Rosalinda, Tracy Dahl as Adele and Robert Orth as Gabriel von Eisenstein. *Aida* continues. (467 4600).

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).
Jeffrey Bernard is Unwell (Apollo). Final performances by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. Tom Conti takes over on March 5 (437 2663).
Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit(839 5972).

New York

The Sound of Music (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.
Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).
Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitious makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200),
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Stardust (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael among others. Ends March 25. (467 4600).

Chicago

'Tis Pity She's a Whore (Goodman). Jo Anne Akalaitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1930s and starring Lauren Tom as Annabella and Jesse Borrego as Giovanni. Ends April 7. (443 3800).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

Tokyo

Kabuki. At the National Theatre Tengenjaya Mura is an action-packed low-life drama about a serving man who turns to drink and crime (265 7411). At Kabuki-za there are two mixed programmes at 11am and 4.30pm, starring mainly younger actors, including the famous Onnagata Tamasaburo. One oddity is a modern kabuki play written by Yukio Mishima, performed to mark the 20th anniversary of his death. Both theatres have excellent earphone guides in English as well as English-language programmes. (541 3131).
The King and I. Stacy Keach steps into Yul Brynner's shoes in this first major revival of Rogers and Hammerstein's popular musical since Brynner's death. Mary Beth Peil as Anna the governess. Tokyo Koseinenkan Hall(432 1212).
The Fantasticks. Return visit of a New York cast in the twee musical that is celebrating its 30th anniversary off-Broadway this year. Sunshine Theatre, Ikebukuro (987 5281).
Sarafina. Hit musical from South Africa via Broadway, with a cast of highschool kids. Kan'i Hoken Hall, Gotanda. Ends March 19 (589 3066).

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored galleries, from 16th century British painting through to the the most recent of modern international art. It is a curatorial triumph.
The Barbican. Scottish Art Since 1900 – a brisk and effective celebration of what has always been a most vigorous and distinctive national school, yet one which has for far too long been not so much under-rated as underknown in the southern Kingdom. Daily until April 16.
The Royal Academy. Frans Hals – the great retrospective, already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Until April 8.

Paris

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends March 18 (40513838).
Centre Georges Pompidou. Pavel Nikolaievitch Filonov. A solitary figure of the Russian avant-garde, he refutes cubism and futurism as contrary to nature's – and art's – organic development. Closed Tue, ends April 30 (42771233).
Musee Carnavalet. Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. They are grouped in glass-cases around a divinity surrounded by objects of the appropriate cult. Closed Mon, ends July 1 (42722113).

Brussels

Archives Générale du Royaume, Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends 31 March.
Musees Royaux D'Art et D'Histoire. The Enigma of the Easter Islands is partially deciphered in this exhibition of photographs and artifacts. Closed Monday, ends April 29.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.
Museum van Hedendaagse Kunst. German wood-cuts of the 20th century. Closed Monday, ends March 18.

Antwerp

Koninklijk Museum voor Schone Kunsten. Belgian Painters of Country Life. Closed Monday, ends April 22.
Provincial Museum Voor Fotographie. Works of the British 19th century photographer William Henry Fox Talbot. Closed Monday ends April 1.

Venice

Palazzo Grassi. Andy Warhol Retrospective. Until May 27.

Milan

Castello Sforzesco. Henry Moore retrospective. 49 sculptures covering the years 1938-1983 . Ends March 25.

Rome

Villa Medici. Self portraits from the Uffizi – from Andrea del Sartoto Chagall. Thirty works from the collection started by Cardinal Leopoldo de Medici in the 17th century, marking changes in style and taste over 300 years. Until April 15th.

Madrid

Centro de Arte Reina Sofia. Antonio Saura. 70 works by the Spanish artist painted between 1958 and 1985. The exhibition focuses on four themes: Ladies, Crucifixions, Goya's dogs and Multitudes. Ends March 19.
Fundacion Juan March. Ian Woodner collection of works by Odilon Redon. A very complete exhibition consisting of some 100 works in various media, illustrating the different aspects of the French symbolist painter's work. Ends April 1.
Museo del Prado. Following the highly successful Velazquez exhibition at the Metropolitan, the Prado is now host to the largest show to date of works by the great 17th century artist. Ends March 18.

Barcelona

Palacio Tinel. Baroque Painting in the Mediterranean. The Italo-Spanish festival brings together sixty 17th Century works belonging to Spain and Italy. Velazquez, Murillo, Rubens, Van Dyck, Claudio Coello, Testa, Cavallino are but some of the great artists whose works can be admired. Ends March 30.
Museo Picasso. Cubist works belonging to the National Galleryof Prague - Kramar Collection. The show includes 17 paintings by Picasso together with an important selection of works by Czech and French artists. Ends April 29.

Berlin

Staatliche Kunsthalle, Budapester Strasse 42: Lasar Segall (1891-1957) around 350 paintings, drawings, sculptures and graphics of the Brasilian painter, born in Wilma, are to be exhibited until April 20.

Mainz

Landesmuseum. Marc Chagall (1889-1985), who died in 1985 was one of the most polular artists of the 20th century. Around 105 of this works, not shown in public before are to be only seen in Mainz until April 22. The gouaches, water-colours, pastels and paintings present themes of the old testament.

Vienna

Kunstsforum. Works by the Romantics, ranging from Caspar David Friedrich to Adolph Menzel.
Museum fuer Volkerkunde has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.
Museum of Modern Art. In its serious, thorough way the museum gives its version of the history of photography, showing off earlier image-developing techniques along with 275 photographs. Ends May 29.

Washington

National Gallery. Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementoes and personal effects of the Great Emancipator.
Art Institute. Yoruba art covering 900 years is the subject of this ambitious exhibition, which traces the Nigerian tribe's views of the origins of the universe in the 12th century to the carvings of contemporary artist Olowe of Ise. Ends April 1.

Tokyo

Teien Museum. German Romantics. Loan exhibition from Dusseldorf – stronger on mid-19th century academic painters than on visionaries such as Friedrich and Bocklin. This museum is a former palace and has a superb art deco interior and a pleasant garden for strolling in. Closed Wednesday.
Idemitsu Museum. Ceramics of Japan. Second part of a comprehensive exhibition devoted to major pieces from the museum's own vast collection.
Japan Folk Crafts Museum. Woodblock prints by Shiko Munakata.

THE FUJI BANK, LIMITED

NOTICE TO HOLDERS OF

US$100,000,000 2¾ per cent. Convertible Bonds 2000	US$200,000,000 1¾ per cent. Convertible Bonds 2002
Pursuant to Clause 6(B) of the Trust Deed for the Bonds, notice is hereby given as follows: At the meeting of the Board of Directors of the Bank held on 23rd February, 1990, resolution was adopted on the issue of new shares by free distribution as set out below: 1. The free distribution will be made to the shareholders of record as of 31st March, 1990 Tokyo Time (the record date) at the rate of five one hundredths (0.05) share of each one (1) share; provided that any fractional new shares resulting from the allotment will be sold by the Bank and the proceeds thereof will be distributed to the shareholders according to their fractional shares. 2. The free distibution will become effective on 18th May, 1990. Pursuant to Clause 6(H) of the Trust Deed for the Bonds, the conversion price of the Bond will be adjusted, effective as from 1st April, 1990 Tokyo Time, as follows: Conversion Price before adjustment: ¥1,465.60 Conversion Price after adjustment: ¥1,395.80	Pursuant to Clause 6(B) of the Trust Deed for the Bonds, notice is hereby given as follows: At the meeting of the Board of Directors of the Bank held on 23rd February, 1990, resolution was adopted on the issue of new shares by free distribution as set out below: 1. The free distribution will be made to the shareholders of record as of 31st March, 1990 Tokyo Time (the record date) at the rate of five one hundredths (0.05) share of each one (1) share; provided that any fractional new shares resulting from the allotment will be sold by the Bank and the proceeds thereof will be distributed to the shareholders according to their fractional shares. 2. The free distibution will become effective on 18th May, 1990. Pursuant to Clause 6(H) of the Trust Deed for the Bonds, the conversion price of the Bond will be adjusted, effective as from 1st April, 1990 Tokyo Time, as follows: Conversion Price before adjustment: ¥3,078.90 Conversion Price after adjustment: ¥2,932.30

9th March, 1990

The Fuji Bank, Limited
5-5, Otemachi 1-chome
Chiyoda-ku, Tokyo, Japan

FIDELITY SPECIAL GROWTH FUND

Société d'Investissement à Capital Variable
5, boulevard de la Foire, Luxembourg
R.C. Luxembourg B20095

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY SPECIAL GROWTH FUND, a Société d'Investissement à Capital Variable organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal office of the Fund, 5, boulevard de la Foire, Luxembourg, at 11:00 a.m. on March 29, 1990, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended November 30, 1989.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the reelection of the following six (6) present Directors: Messrs. Edward C. Johnson 3d, Charles A. Fraser, Jean Hamilius, John M.S. Patton, Harry G.A. Seggerman and H.F. van den Hoven, being all of the present Directors except William L. Byrnes who by reason of his retirement does not offer himself for reelection. The Fund notes with regret the recent death of its esteemed Director, Hisashi Kurokawa.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Declaration of a cash dividend in respect of the fiscal year ended November 30, 1989.
8. Consideration of such other business as may properly come before the meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: February 20, 1990

By order of the Board of Directors

Mother teaching her child to write: red chalk, by Jacopo Palma il Giovane

Palma Giovane in Venice

The posthumous reputation of Jacopo Palma il Giovane (1548-1628) rests on two achievements, one good, one bad. The first is his moving description of the aged Titian's method of painting, often using his fingers in place of brushes; the second his addition of an angel to the master's final, unfinished Pieta, which all but manages to ruin it.

Not even his best friends could have regarded the wearyingly prolific Palma Giovane as a great artist. It is hard to find a church in Venice lacking one of his pictures, in the main gloomy and creaking sub-Tintoretto works that mark the demise of Venetian renaissance painting. Similarly, no Christie's or Sotheby's drawings sale is complete without one of his vacuous formulaic scribbles. Under the circumstances, an exhibition given over to him – even in the loyal Serenissima – may well sound like a carnival prank.

Not so. The *raison d'être* of the show at the Museo Correr (until April 29) is the museum's recent acquisition of one of the two albums of Palma drawings that belonged to the great 18th century collector and engraver, Antonio Maria Zanetti (the other is in the British Museum). Now exhibited for the first time, it is accompanied by a judicious selection of paintings. These concentrate on Palma as a purveyor of biblical and mythological erotica, and as a portraitist. He can manage quite a good line in the former, with slightly uniform large ladies impersonating the victims (Bathsheba, Susanna) and the viragos (Jael, Judith, Delilah) of the Old Testament, not to mention Venus herself. The goddess is caught embracing Cupid while her bandy-legged smith of a husband, Vulcan, tends his forge in the background, or helped by Cupid in her flushed and frantic hurry to undress Mars. This latter canvas usually languishes in the depths of the National Gallery, and arguably deserves a better fate.

The venerable old men of the portraits look alarmingly like Susanna's pursuers, and for all their subfusc colouring, they are acutely observed. The high point is the likeness of a collector, probably Bartolomeo della Nave (City art Gallery, Birmingham), once not unreasonably attributed to Annibale Carracci, and certainly worthy of him. In the portrait he is accompanied by various ancient and modern sculptures, and in the show he is flanked by two of them, the bust identified as the Emperor Vitellius which obsessed a generation of Venetian painters, and Alessandro Vittoria's Saint Sebastian/Marsyas.

Turning to the drawings, there are admittedly a number of individual sheets of notable dreariness, but the cumulative effect is oddly absorbing and even impressive. Palma Giovane was at the crossroads between renaissance and baroque. At times the fluency of his pen harks back to Parmigianino, whose drawings he certainly knew, not least through those in the "libretto" belonging to Vittoria. At others he looks forward to Guercino, as in the drawing illustrated above. We know that Guercino was presented to Palma Giovane in 1615, and that his work impressed the old man. Both the casual observation, and the feathery handling of the red chalk in this sheet strongly suggest that Guercino took the opportunity to look closely at the best of what Palma the draughtsman had to offer.

The best of Palma Giovane the painter is to be found in the Oratorio dei Crociferi, opposite the Gesuiti, and well worth a detour when paying homage to Titian's stupendous Saint Lawrence there. The oratory is normally only open in the summer months, but may be visited on Saturday mornings for the duration of the exhibition. Finally, as for the catalogue, it is generally excellent, except that a dealer's picture, on show at the Galerie Pardo last summer, now purports to be part of the "Pardo Collection."

Yet more opulent Venetian beauties, notably two Paris Bordones from as far afield as Gothenburg and Dubrovnik, are on view at Condussi's Palazzo Vendramin-Calergi (until April 16), where Wagner died. Since it now houses the Venice Casino, it makes an appropriately louche setting for a predominantly historical – and utterly intriguing – exhibition on the Courtesans of Venice, in which paintings are combined with renaissance underwear, treatises on the pox, and much more besides.

David Ekserdjian

Rambert Dance

SADLER'S WELLS

Against a magenta backdrop Amanda Britton makes an opening incantation of long, lean shapes, curving, posing, moving elegantly about her – and Merce Cunningham's – business in *Doubles*. She is today's quintessential Rambert danseuse, just as in Rambert's earlier years a similarly elegant and significant artist, Maude Lloyd, showed how distinction of manner could reveal the intensities of Antony Tudor's ballets.

The intensities that Amanda Britton proposes are those of Cunningham's taut choreographic structure, which opened Rambert Dance Company's season on Wednesday night. And be it said at once that the piece is magnificently performed. Four women, three men, are involved in a series of dance equations that balance with minutest care the relative weights of serene and ebullient action, the pleasures of physical contrast and accord. Against the manic twitterings of Takehisa Kosugi's score, which sounds like an aviary full of neurotic starlings, the cast are by turns contemplative (two girls, like identical twins, tread delicately) or boundingly eager (the springing Colin Poole, a welcome recruit to the company). The piece is finest Cunningham, danced with entire understanding, so that we savour the rich meanings – about textures and values of movement – that can be generated by non-narrative choreography.

The other American choreography in this programme, Trisha Brown's *Opal Loop* fared less well. It is already a period piece, albeit only ten years old – things move fast in the post-modern lane – and its view of four performers doing their own thing is now a cliché of the new dance. It looked less concentrated than when it was staged for Rambert a year ago, as if some vital awareness between the members of the cast – a tension which came then from needing to time incident exactly without the benefit of a score – had been lost through familiarity with the Trisha Brown's procedures and her rather thin invention.

Pulau Dewata, Richard Alston's Balinese excursion, made last year, which is paired with *Opal Loop*, seems to have gained in power. Three couples are caught up in ritualistic encounters amid Peter Mumford's stunning lighting (a dark blue cocoon for the action), and the exoticisms of Claude Vivier's score are reflected without being aped in Alston's cryptic, succinct dances. It is not, thank Heavens, enthnography, but it speaks aptly of its locale.

And to close the evening, Ashley Page's *Soldat*, and the dazzle of primary colours in Bruce MacLean's design. Here is a work couched in terms of the most artful naivety in step, score and decoration, and it is to Page's credit that he maintains this folk-like innocence while making sophisticated comment upon character and incident. Paul Old, Gary Lambert and Amanda Britton, as Soldier, Devil and Princess, play with splendid economy and clarity. Old's simplicity and the muscular variety of his movement; Lambert's quick reflexes and the way he pounces on a step; Britton's delicious ambiguity of style, all bring a dramatic savour to the tale – like the MacLean design – without destroying its formal coolness. And the Stravinsky score is very well played by the Mercury Ensemble.

Clement Crisp

Alastair Muir

Amanda Britton and Colin Poole in "Doubles"

New Anatomies

MAN IN THE MOON

Isabelle Eberhardt was born into a Russian family but reared in Switzerland. The most intriguing elements in Timberlake Wertenbaker's 1981 play, enjoying its British première in the pub theatre at the wrong end of the King's Road, are the glimpses we get of her childhood: the fluttery mother whose fragmented, hopeless speech patterns teeter on the edge of breakdown; the dreamy, delicate and despised brother; the practical sister who marries into the disapproving Swiss bourgeoisie, and – most tantalising of all – the drunken radical of a revolution-spouting stepfather. The last-named is not seen, though the six-strong cast of women assumes 19 roles, many of them male. This becomes confusing only in a Parisian salon scene where the habituées consist of lesbians in masculine gear and it takes some time to sort out women playing men from women playing women playing men.

Following the critical success of *Our Country's Good*, it is interesting to note Wertenbaker's early sketch of what is doubtless termed, in some snakeword from German psychology, self realisation through role playing. For Eberhardt, in the tradition of Lady Hester Stanhope and others both English and French, took a shine to the desert, dressed as an Arab male, and went off to Algeria to seek wisdom among the nomads.

Readers of Lesley Blanche's *The Wilder Shores of Love* will be disappointed in the protagonist's relative colourlessness. No dashing romance here; indeed, very little except sullen truculence once the heroine is up against the French colonial powers or the odd fanatic Moslem. The character is hardly developed; and a young woman who shocks a polite salon by spelling out the sexual pleasure derived from passing as a boy in Arab company seems an odd sort of icon for early feminism.

Costumes, lighting and production all manage the picaresque canvas rather well in the cramped conditions. Leona Heimfeld's direction does not entirely smooth over rough patches in the performance; but one sympathises with a young actress in false moustache having to utter, in the person of a French army officer, lines like "You've become a legend in the legion . . . You remind me of a delightfully unbroken young filly." Helen Braunholtz shows a promising Fiona Shaw-like approach, notably as Isabelle's retiring brother-turned-colonialist and a lesbian journalist. Hollie Garrett's Julie Christie profile merits a more fully-written character. Squatting in the desert for a meticulous sand-wash, she evokes more atmosphere than the writing. Her whirling dance with a red cloth is a shrewdly stylised depiction of Isabelle's death in a freak flood in the desert: the just if complicated fate awaiting that portion of the world's population that prefers being sodomised by Berbers to living in Switzerland.

Martin Hoyle

Aldeburgh gala

BARBICAN HALL

The gala concert on Wednesday, attended by the Queen and Prince Philip, was in aid of the Britten-Pears School. It was given, naturally enough, by Aldeburgh musicians: the school's own orchestra (conducted by Tamás Vásáry), and such distinguished soloists as Ileana Cotrubas (singing the Mozart concert aria "Ch'io mi scordi di te?"), Anthony Rolfe Johnson (singing the Britten Serenade) and Rostropovich (playing the Chaikovsky *Rococo Variations*), all three of them closely connected with the school.

It was an evening of pleasantly intimate music-making, of a kind which one associates with the Snape Maltings (rather indeed, than with the Barbican), and which made amends for a slightly soggy Schubert Fifth Symphony as concert-opener. The "news" of the concert, however, was provided by the first performance of the opening movement from Britten's unfinished clarinet concerto (1942-3).

This was inspired by, and intended for, Benny Goodman, whom Britten learnt to admire during his own period of American exile. After a single hearing of this movement – orchestrated from sketches by Colin Matthews – one is left in no doubt that the impact made by player on composer was powerful. For what survives of the work is deliciously bright and ebullient, bowling along with heady energy, and leaving behind a strong regret that force of circumstances interrupted the project.

The mood is set by the bustle of B flat major, and by the easy virtuosity with which Britten throws in harmonic surprises along the way, with the legerdemain of a good conjuror – there is in this an extraordinary foretaste of *A Midsummer Night's Dream*. Add to this the Prokofiev-like brilliance of the clarinet writing (delivered by the excellent Michael Collins with all his wonted wit and flair), and you gain an overriding impression of originality, brilliance, and high good humour – a rare Britten combination.

In the nature of things this movement is fated to remain an occasional piece. It seems to me, even so, one of the happiest of the many recent Britten recoveries and rediscoveries.

Max Loppert

Some Confusions

ICA THEATRE

Some Confusions in the Law About Love, the latest show by Forced Entertainment Theatre Co-operative, is about the banalities of drugs and drink and sex and rock and roll. Though it lasts only about an hour and a quarter, there are long passages of numbness when brain-death looms large and one recalls in dread the slogan on the current drug-warning posters: "The effect can last forever." A programme note warns you that "Bad language may offend." Four-letter words and sex slang abounded, it's true, but in the context of all the other banalities that is a kind of badness you should be grateful for.

It means its banalities – I guess, I hope – to be funny; and once in an age it succeeds. But . . . there are times when it is too embarrassing to review, one can only imitate. If you wish to measure the inaccuracy in the following, you may do so at the ICA until March 21.

(The following conversation between three people is to be spoken in a druggy drone.)

After drink and drugs and sex and rock and roll, what's left?

Well, we can always spend time wondering which we enjoyed most, can't we?

Let's try talking about Elvis.

(Enter two people in skeleton costumes. More droning.)

The sight of the moon, no, the sight of the chartered plane has rekindled my love for you, Sue.

I'm sorry, Sir Gerald.

What misery is ours, Sue, now as we look out over Kyoto.

Oh dear, Sir Gerald, this is the price we have to pay for living instead of dying in the car accident we faked.

(And so on. Later, these skeletal depressives leave the other three depressives to themselves.)

I don't think they were Presley.

Oh, he's here. He's trying to speak through me.

I've been wandering in, the rain.

That was Mr. Presley. He's gone now.

(On veiled video screens to right and left, the heads of a man and woman appear. More monotones.)

The first star, Dolores, is called Cassiopeia.

Yes, Mike, and it's known as a star for failed lovers.

(The three mortals – one male, one female – leave and come back covered in talc, as if ghosts. They discuss their fate.)

I thought this would happen.

Yeah, when we get a booking for a gig, it's in a really dowdy town like this.

(The two women don huge fake breasts, the man straps on a dildo.)

Let's talk about love.

The best kinds of love are based on money or political gain. That way you can be sure things will come out right.

(Surely some mistake here? Ed.)

(No, honest, guv, you go see for yourself.)

Alastair Macaulay

Ashley Ashwood

Ella Fitzgerald

Ella Fitzgerald

ALBERT HALL

The old lady was carefully supported on to her stool. She stared myopically around the vast auditorium. The audience collectively suspended criticism in favour of respect for the past – and then got the shock of their life. Ella Fitzgerald, rising 72, launched into a version of "Too Close for Comfort" with as much verve and attack as a Spitfire.

She is really quite remarkable. While fellow septuagenarians, like Frank Sinatra and Dean Martin, duck the high notes and coast through their standards, Ella Fitzgerald delights in up-tempo songs and positively relishes top notes, scat and vocal gymnastics. She might hesitate over the name of her drummer (Roy McCurdy) and forget the intro to "Lady is a Tramp," but, apart from a loss of resonance in the lower register, Ella Fitzgerald is singing as powerfully and as sweetly as ever.

Having the backing of a Count Basie band, blowing well even without the Count, and her own trio, obviously helped. But as classic standard followed classic standard, with no faltering and perfect phrasing, you could relax and enjoy. I would have preferred more of the slow romantic ballads, but with everything from "Honeysuckle Rose" to "God Bless the Child," via the Beatles "Can't Find Me Love" this was vintage Ella, a memorable evening, and a propitious start to London's new 24 hour jazz station, the reason for this rare and rousing visit.

A quick mention for the Tommy Smith Quartet who opened the show in fine style and for the Basie Orchestra, which also raised the spirits before the arrival of the great lady.

*

Two nights earlier on the same stage Randy Crawford represented the later generation of black singers, into soul music rather than jazz, into personality rather than character. Supported by a stolid band of Scandinavians, not generally reckoned to be the most soulful of races, Randy giggled her way through her classics like "One day I'll fly away," and only looked serious when plugging the material on her latest album "Rich and Poor."

You can hardly fault her voice – it's liquid gold – but like Dionne Warwick a few days earlier she sold her fans short. Both ladies are going through the motions, touring to promote records, and scarcely aware of the customers. They run through their sets and are away in little over an hour. This total unwillingness to respond to the needs and the affection of their audiences would not be quite so irritating if they did not blather on about how wonderful it was to be in London and what absolutely amazing people we were. If they are having such a good time on stage there really is no need to pull the plug so abruptly and so blatantly.

Antony Thorncroft

V S Pritchett wins W H Smith award

V S Pritchett, critic, novelist and short story writer, has won this year's W H Smith Literary Award. Sir Victor, who is 89, received the £10,000 prize at a lunch in London yesterday.

ARTS GUIDE

March 9-15

MUSIC

London

The London Philharmonic, conducted by Gennadi Rozhdestvensky. Schubert, Prokofiev, Brahms (Sun). Royal Festival Hall (928 8800).

Moscow Conservatoire Orchestra, conducted by Leonid Nikolaiev. Russian and Italian opera: Musorgsky, Korsakov, Borodin (Mon). Barbican Hall (638 8891).

Royal Philharmonic Orchestra conducted by John Farrer. Ruth Waterman (violin). Mozart, Barber, Mendelssohn, Pachelbel (Tues). Barbican Hall (638 8891).

London Symphony Orchestra, conducted by Mstislav Rostropovich. Paul Edmund-Davies (flute) and Osian Ellis (harp). Shostakovich, Mozart (Thurs). Barbican Hall (638 8891).

Paris

Vinson Cole Recital (Mon). Salle Gaveau (45633030).

Scala's Philharmonic Orchestra conducted by Carlo Maria Giulini. Schubert, Brahms (Mon). Théâtre des Champs Elysées (47205637).

Ensemble Orchestral de Paris' soloists: Mozart, Haydn, Schubert, Beethoven (Tues). Auditorium des Halles (40282828).

Dmitri Sitkovetsky, Pavel Gililov. Janacek, Schoenberg, Strauss, Schubert (Wed). Salle Pleyel (45638873).

Orchestre de Paris conducted by Semyon Bychkov with the Paris Orchestra's choir conducted by Arthur Oldham: Stravinsky, Rachmaninov (Wed, Thur). Salle Pleyel (45630796).

Chamber Orchestra from Riga conducted by Tovi Lifschuetz, Lazar Berman (piano). Durante, Vivaldi, Bach, Dvorak, Stravinsky (Thur). Auditorium des Halles (40282828).

Frankfurt

Frankfurt Radio Orchestra and Yuri Bashmet (viola) play works by Schnittke and Schostacovich, conducted by Valerij Gergajev. Alte Oper. (Fri).

Brussels

RTBF Symphony Orchestra conducted by Andre Vandernoot with Dana Protopopescu (piano) playing Beethoven. Maison de la Radio (Fri).

Zygmunt Kowalski (violin) and Robert Redaelli (piano) performing Franck, Grieg, and Mozart. Royal Music Conservatory (Fri).

The Bolshoi Ensemble conducted by Andrei Tchistiakov performs Schnittke and Tarnopolsky. Maison de la Radio (Sat).

Tokyo String Quartet plays Beethoven, Haydn, Janacek. Palais des Beaux-Arts. (Tues).

Milan

Ida Levin (violin). Bruno Giuranna (viola), Rocco Filippini (cello) and Niccolo Parents (piano) playing Faure and Brahms (Mon). Teatro Alla Scala (80.91.26).

Giorgian State Orchestra conducted by violinist Liana Isakadze playing Vivaldi, Mendelssohn and Gershwin (Wed) Conservatorio G Verdi. (76001755).

Rome

Geroges Pretre conducting Rota, Ferrara and Dvorak, with Franco Petracchi (double-bass). (Sun, Mon, and Tues) Auditorium in via della Conciliazione. (6541044).

Mischa Maisky (cello) playing three bach suites for solo cello (Wed) Teatro Olimpico. (393304).

Vienna

Vienna is host to two music festivals: **Haydn Tage** and the **Vienna Festival**. Tickets and information from Musikverein, Karlsplatz 8, Vienna (65 81 90). Also, Oesterreich-heute, with the spotlight on contemporary Austrian music is in full swing. Tickets and information from Wiener Festwochen, Lehargasse 11, 1060 Vienna (586 16 76).

Der Kreis Experimental Theatre perform *R+J Musical*, an adaptation of Shakespeare's *Romeo and Juliet* by the young Soviet composer, Sergei Drezoin (Tues-Sat.)

Russian/Tatar Ensemble Zurnai. Music from the Tatars. At the Bosendorfer Concert Hall. (Fri).

Wiener Symphoniker, conducted by Vaclav Neumann. Dvorak, Smetana, Beethoven. Musikverein. (Sun).

Ivo Pogorelich piano recital. Haydn, Chopin, Liszt, Scarlatti, Brahms, Scriabin. Musikverein. (Wed).

Vienna Concertino. Haydn, Reger, Ravel, Brahams. Musikverein. (Thurs).

Madrid

Spanish National Orchestra conducted by Victor Pablo Perez, with David Golub (piano). Marco, Grieg, Rachmaninov (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).

Maria Joao Pires, piano recital. Bach, *Mozart*, Schubert (Sat). Auditorio Nacional de Musica (337 01 00).

Vienna Chamber Orchestra conducted by Philippe Entremont (also piano). Mozart programme (Tues, Wed). Auditorio Nacionalde Musica (337 01 00).

Joaquin Achucarro (piano). Chopin, Brahms, Schumann (Tues). Auditorio Nacional de Musica (337 01 00).

St Paul Chamber Orchestra of New York conducted by Christopher Hogwood with John Kimura Parker (piano). Adams, Mozart, Stravinsky, Haydn. (Tues). Auditorio Nacional de Musica (337 01 00).

Barcelona

St Paul Chamber Orchestra of New York conducted by Christopher Hogwood, with John Kimura Parker (piano). Adams, Mozart, Stravinsky, Haydn (Wed). Palau de la Musica Catalana (30169 43).

Alexander String Quartet, with Joan Enric Lluna (clarinet). Mozart, Beethoven, Brahms (Thurs). Conservatori de Barcelona (301 69 43).

Trevor Pinnock (harpsichord). Bach programme. (Wed). Fundacion Caja de Pensiones (317 57 57).

New York

Maurizio Pollini piano recital. Schumann, Berg, Schoenberg, Stravinsky (Mon). Carnegie Hall.

Philadelphia Orchestra conducted by Erich Leinsdorf with the Guarneri String Quartet. Haydn, Davidovsky, Stravinsky, Ravel (Tue). Carnegie Hall.

Boston Symphony Orchestra conducted by Seiji Ozawa with Anne-Sophie Mutter (violin). Bartok, Beethoven (Wed, Thur). Carnegie Hall. (247 7800).

New York Philharmonic conducted by Klaus Tennstedt. Smetana, Dvorak, Janacek (Thur). (874 6770).

Washington

National Symphony Orchestra conducted by Lynn Harrell. Ives, Bach (Tue); conducted by Franz Welser-Most with Frank Peter Zimmermann (violin). Beethoven programme (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra. Daniel Barenboim conducting with the Chicago Symphony Chorus. Prokofiev, Takemitsu (world première), Ravel (Tue); Denisov, Beethoven (Thur). Orchestra Hall (435 6666).

Tokyo

Tokyo Symphony Orchestra, conducted by Kim Hon Je. Music by the Korean composer, Yun Isang. Suntory Hall (Wed) (498 5890). Bruno-Leonardo Gelber (piano). Beethoven programme. Bunkamura, Orchard Hall (Thurs) (289 9999).

Japan Philharmonic Orchestra, conducted by Ervin Lukacs.

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Friday March 9 1990

Democracy in Latin America

WITHIN THE next few days, first Chile and then Brazil will swear in democratically elected presidents after long periods of military rule. In Chile, General Augusto Pinochet hands over to the Christian Democrat leader, Patricio Aylwin, creating the precedent of a dictator bowing out on the verdict of the ballot box after 16 years in absolute control. In Brazil, Fernando Collor de Mello championing clean government and economic liberalisation takes office as the first directly elected leader in 29 years.

The change of government in both countries raises issues about the relationship between democracy and economic development. The last decade in Latin America has witnessed a clear rejection of military rule in country after country: yet so far the results of restored, or newly discovered, democracy have been disappointing, even allowing for the burdens of foreign debt and poor terms of trade.

Political leadership has proved weak, the institutional back-up has been wanting and economic management has been poor – if not disastrous. Those countries which have coped best have been either very small (Bolivia, and Uruguay) or have had authoritarian government with strong institutions, like Chile and Mexico.

Chile has been a particularly uncomfortable example. Gen Pinochet was considered a pariah for having brutally overthrown the late President Allende. At the same time he instituted free-market economic reforms which modernised Chilean society. After several bad mistakes, which perhaps only a dictatorship could survive, he created the basis for sustained economic growth.

Maturity

Today, with uncontestably the best managed economy in Latin America, Chile enters its sixth consecutive year of growth. Chileans have demonstrated great maturity in the delicate transition from dictatorship to democracy. A consensus exists on the kind of society Chile should have and the divisions created by a repressive and frequently vindictive regime have begun to disappear. Together, these elements provide a stable framework for democracy and augur well for Chile's chances of being able to break through the barrier of under-development within the next decade.

Much now will depend on Gen Pinochet's own sense of history and his realisation that Chile no longer needs him. He must resist any temptation to interfere and prepare to retire from his still powerful position as commander-in-chief of the armed forces as soon as possible.

Lamentably inept

In contrast to Chile, Brazil has enjoyed civilian government since 1985 but the politicians and ruling elite have proved lamentably inept at making democracy function effectively and ensuring that the economy is properly managed. The outgoing administration of President Jose Sarney suffered all the handicaps of a transitional regime, which additionally was saddled with huge external debts and serious structural problems. But it cannot easily duck responsibility for bequeathing a demoralised society, wracked by hyper-inflation. Mr Sarney's government will go down as one of the most corrupt and incompetent in Brazil's history.

Thus, while the youthful Mr Collor inherits a country whose inhabitants may have long felt freer than those in neighbouring Chile, the difficulties of running the government and restoring economic growth are enormously greater. He will have to establish his authority and restore economic confidence quickly. One hopes he has learned from the experience of Menem's Argentina that an economic shock programme must be well prepared and comprehensive.

Even effective political leadership will not easily overcome his lack of a strong party base and the difficulties of a constitution that gives wide powers to the legislature, which is controlled by the most powerful vested interests in Brazil. His plight suggests that democracy in Brazil, as elsewhere in Latin America, is a question of good government and of willingness of interest groups to bow to the common good.

War of words on farm trade

THERE HAS been much huffing and puffing and trading of tough words between the European Community and the US of late on the issue of the reform of the world's farm trade, a key component of the Uruguay Round of international trade talks, which is now in the last of its allotted four years.

In particular, acerbic exchanges between Mr Clayton Yeutter, the US Agriculture Secretary and Mr Ray MacSharry, the EC Farm Commissioner over the new US Farm Bill and the draft 1990-91 budget reveal again how differently the two sides view the whole issue of farm support.

US Farm Bills, enshrining the objectives of US farm policy, are produced every four or five years and a new one is due this year to replace the 1985 Food Security Act. Proposals were sent to Congress by Mr Yeutter last month and immediately raised hackles in Brussels, for they differed little from the 1985 Act.

Most of the measures supporting domestic prices for US farmers are expected to be maintained, as are export subsidies, notably through the controversial export enhancement programme. Mr MacSharry publicly expressed his disapproval, declaring that the Bill gave the wrong signal both to American farmers and to the Gatt talks.

What most incensed Brussels, however, was the implied threat. The US has taken a maximalist stance within Gatt, demanding the abolition of all trade-distorting farm subsidies, but here it was – EC officials complained – failing to translate this message into its own domestic legislation. What is more, Mr Yeutter made it clear that export subsidies would be increased unless progress were made in Gatt.

Predictable

Mr MacSharry's predictable response was that the EC will not negotiate under threat. "The multilateral negotiations are not war games," he stated.

There is an obvious element of gamesmanship in all this as Washington – aware of the seeming hypocrisy of advocating the abolition of most farm subsidies in GATT, while continuing to maintain them at home – endeavours to keep up the pressure on the EC.

It is perhaps also to be expected that, while progress may be being made on important non-farm issues, progress on what many participants see as the most contentious issue is only likely at the last minute, if at all.

Paradoxical

Some evidence for this view comes, paradoxically, from the White House. A document sent to leaders of key Congressional Committees last month used far milder language than the Farm Secretary when it described how, "based on progress to date" within the Gatt talks, it could be expected that US farm programmes in future would "need to be made more market oriented, with support provided in a less trade distorting way." Such language suggests that the US has come a long way towards compromise with the EC.

It is too early to tell whether this will prove the case. US officials point out that the language in the White House report is primarily designed to persuade the Democratic majority in Congress that sufficient progress is being made in Gatt not to warrant Congress using its powers further to increase farm subsidies.

Certainly, the White House report itself does not mince words about the outstanding areas of difference between the US and the EC, which range all the way from the extent to which protection and trade distorting subsidies should be reduced to whether – as the US wants – existing non-tariff barriers should be converted to tariffs and then reduced.

The aim of reforming the world's farm trade – estimated to have cost the EC and US budgets a total of over $50bn a year in recent years, to say nothing of the trade distorting effects for other exporters – remains as valid today as it was when the Uruguay Round began. However, more political effort and less posturing will be needed if it is to stand any hope of achievement. Heads of government must get more actively involved. They should be reminded that the Uruguay Round and so the whole international trading system hangs in the agricultural balance.

POLITICS TODAY

Tied up in knots over road pricing

By Joe Rogaly

I love driving about in motor cars. You probably do too, unless you are unlike most inhabitants of the developed countries of the West. To me, the automobile is the invention that has had the most potent effect on life in the 20th century. It is affluence, choice and individual freedom expressed in steel and rubber. I am rarely happier than behind the wheel.

Everyone of the green persuasion should declare her or himself on this matter. It is one of the keys to the environmental debate. So many of us would rather drive than use practically any other form of transport that most political parties sense that the way to win votes is to be extremely tactful about motoring.

This is very awkward. Because of the greenhouse effect, the day is coming when governments will be obliged to slap a tax on carbon dioxide emissions from exhaust pipes. There is a strong case, on simple amenity grounds, for reducing expenditure on roads. There is an overwhelming market logic in favour of making individual users pay for the pollution they cause, perhaps by means of tolls, or an enormous petrol tax, or some other fiscal device. None of this is politically cost-free. All of it scares the wits out of most politicians.

At the beginning of 1989 a paper was prepared for the British Prime Minister suggesting the imposition of a pricing system. Smart electronic cards would be slid into a dashboard computer. Motorists would pay according to which road was traversed. Electronic eyes planted in the paving stones would deduct fees from the cash balances registered in the smart cards. Driving would be more expensive in the rush hour than at midday. It might be free late at night.

This paper was rejected. Its ingenious arithmetic had suggested that the average driver would be no worse off than now if the tolls were set low and the existing annual road licence was withdrawn. Even so, the Prime Minister was not convinced. Nor was she convinced when Mr Paul Channon, then Minister of Transport, floated the idea again in the early summer, albeit as a reluctant last resort.

Last September the logic of the price mechanism was set out in another learned study. Its source was a mirror image of the provenance of the first paper. For this time the proposer was Patricia Hewitt, erstwhile Policy Co-ordinator for the leader of the Labour Party, Mr Neil Kinnock. Entitled "A Cleaner, Faster London: Road Pricing, Transport Policy and the Environment," it was published by the new left-wing think tank, the Institute for Public Policy Research. "Road pricing is the most efficient, environmentally beneficial and fairest form of traffic restraint available for central London," Ms Hewitt concluded.

The Labour Party has yet to show proper enthusiasm for Ms Hewitt's suggestions. The temptation is to meet the challenge and make the change to road pricing, thus outflanking the Conservatives in the way they should be outflanked – from the Right. The Labour spokesman on Transport, Mr John Prescott, favours this as part of a shift of emphasis in transport policy from private to public means of conveyance. Mr Kinnock and those around him are, however, aware of the dangers inherent in seeming to be "against the motorist." They also affect to dislike the idea of clearing the roads for the rich by making them more expensive to use. Their commitment to road pricing seems to me to be tenuous at best.

Meanwhile the Conservatives have taken yet another run at the same fence – and shied away. The Secretary for Transport, Mr Cecil Parkinson, wanted to accompany his recent publication of a set of proposals for road building and traffic control in London with a companion discussion paper on road pricing. Smart cards would be the favoured mechanism. The two Parkinson papers, taken together, might have seized the political initiative from Labour.

This package went before the entire Cabinet, but only Mr John Major, Chancellor of the Exchequer, Mr Chris Patten, Environment Secretary, and Mr Parkinson himself supported publication of the road pricing paper. This does not necessarily mean that the Transport Secretary, long a sceptic about the greenhouse effect, is a late convert to greenery. His paper could have been read as one designed to demonstrate the immense complexity and potential cost of road pricing. Never mind. He deserves credit for having supported publication.

The grounds for opposition were various. There was much harrumphing about the need to charge drivers of company cars personally for road use, and the difficulties thereof. The Home Office conjured up a nightmare vision of having to issue more than 6m summonses every year if more than 1 per cent of traffic movements in London were not properly paid for through the smart cards. This sounds to me like a typical impossibilist fantasy put up by civil servants who know when ministers want reasons not to go ahead with a scheme.

What the Government was really afraid of was, once again, the prospect of headlines telling drivers that they would have to pay for road use. This sense of caution has been the principal characteristic of every subsequent debate on environmental matters. Most of the talking is now taking place in the "Green Committee," a sub-committee of the cabinet, chaired by the Prime Minister. The purpose of the GC is to help Mr Patten prepare his promised White Paper on environmental policy in time for the Conservative Party conference in the autumn. It seemed like a fine idea when he announced it at the last conference, but since then Mr Nigel Lawson, the former Chancellor, has resigned, two more Cabinet ministers have retired, the poll tax has blown up in the Conservatives' faces, and Labour is somewhere between 15 and 20 percentage points ahead of the Tories in the opinion polls.

In such circumstances an analytical discourse from one department whose logic, if followed, would end in a near-tripling of the price of petrol did not seem to be quite in tune with the perceived political needs of the times.

The search for a firm, courageous and pain-free green policy permeates the Green Committee

Another departmental minister kept asking whether it was possible to devise a system of penalties and incentives whose effect would be to reduce the number of journeys, and encourage the purchase of smaller cars with more efficient engines. He had only two requirements. The system would have to be fiscally neutral, and it would have to have no effect on the retail price index.

This search for a green policy that is firm, courageous, efficient and totally pain-free is permeating the atmosphere of the Green Committee. The political pressure is not all in one direction. The Prime Minister herself is in two minds on the matter. In one persona, she is a political realist about things like a high price for petrol, and she may have learned to fear new taxes or charges of any kind following the introduction of the poll tax. Her other personality is that of earth-mother, she who discovered the threat to the environment and explained it to the nation, not to mention the world, in a series of major speeches following her seminal address to the Royal Society in September 1988.

Everyone in Westminster and Whitehall is aware of this split in Mrs Thatcher's personality. They are also aware that there is a positive political gain to be had from expressing concern about the environment: private polls still tell them as much. This perhaps explains the Conservative party political broadcast on Wednesday night, which stressed the Tories' concern to build a cleaner, safer, world for the soft-focus mother and baby who appeared in nearly every shot. It also explains the GC's decision to send Mr Patten to The Hague this week armed with promise to end nearly all industrial dumping in the North Sea by the end of 1992, a mere three years later than stipulated in the 1987 North Sea Declaration.

The promise was part of a pre-emptive political strike by Mr Patten. His proposals on sewage sludge dumping and the disposal of raw sewage through long outfall pipes have failed to satisfy Britain's critics at the conference of countries with North Sea coastlines. They will, however, add at least 6 per cent to water bills over the coming decade. There is a certain political courage in this. Clearly Mr Patten has extracted a decent down-payment from the Green Committee, indicating that not all forthcoming battles will be lost by the environmentalist side.

Whitehall is in the midst of another battle whose outcome is as yet uncertain. Britain has undertaken to cut sulphur dioxide emissions, a major cause of acid rain, by 60 per cent by the year 2003. It said at the time that it would do so by installing flue-gas cleansers, at a total cost of some £2bn, in existing large power stations. Now National Power and PowerGen are telling the Energy Secretary, Mr John Wakeham, that privatisation will be easier if this commitment could be met more cheaply through the use of imported low-sulphur coal and gas-fired power stations. Downing Street is aware that the exchanges on this matter between Energy and Environment are "heated." Mrs Thatcher's Green Committee will probably take the final decision. It is likely to be a compromise, leaning towards the demands of quick privatisation and away from pure environmentalism.

While all this has been going on the Treasury has kept its head down, working on the forthcoming Budget. When that is out of the way the Conservatives will have to confront the real agonies of environmental policies. When do you tax? When do you charge? When do you regulate? Having exhausted that list of options, which includes all there are, how do you fight an election as the party of conservation on the basis of a cautious environmental White Paper? All right then, how do you go to the polls with a bold set of policies that may in the end cost the voters more?

A few of the answers, suitable to a market economy run by economic liberals, are provided in a forthcoming pamphlet from the same left wing think tank – the IPPR – that proposed road pricing. "Green Taxes," by Dr Susan Owens, Victor Anderson and Irene Brunskill (IPPR, 18 Buckingham Gate SW1, £5), concludes that there is a now a strong case for the use of economic instruments in British environmental policy. (The differential duty on lead-free petrol, making leaded more expensive, is an economic instrument used by Mrs. Thatcher's Government to pursue an environmental objective.)

A 25 per cent rate of Value Added Tax on large cars, or cars without catalytic converters, is one in a long list of possibilities suggested by the IPPR; low or zero VAT on insulation materials, low energy light bulbs and the like are others. The overall effect could be fiscally neutral. The need to persuade the European Community to accept such changes is acknowledged. It is a short, well-argued paper, once again taking on the Tories from their totally unprotected Right flank.

Incidentally, I owe the IPPR an apology. When it was founded in 1988 I said that the new doughnut lacked a filling – it had no central idea to give its publications a sense of purpose and cohesion. The Right-wing Institute of Economic Affairs had such an idea: the market economy. We can now see that the IPPR, too, has a central idea: the power of the market. If it sticks to this, it will do the Labour Party a great service.

It may also help Mr Patten. His environmental white paper, which is regarded by some as the putative centrepiece of the Conservatives' election campaign, will only be credible if it shows that the green half of Mrs Thatcher has prevailed over the blue. Every argument in the GC is between Environment and another ministry – Energy, Transport, Agriculture or whatever. If Labour looks like producing a decent environmental policy with a judicious mix of pricing and regulation to enforce it, Mr Patten will have a better chance of winning some of those arguments. The game is still on.

OBSERVER

Lucky to be out of it

■ There is a teasingly symmetrical relationship in the DTI inspectors' report on the Fayed brothers' acquisition of the House of Fraser stores group which has so far escaped notice.

While the Fayeds were being advised on the offer by merchant bankers, Kleinwort Benson, and City solicitors, Herbert Smith, the Director General of the Takeover Panel at the time was none other than Tim Barker of Kleinwort Benson. The secretary of the Panel, also deeply involved in the bid, was Anthony Macaulay, a secondee from Herbert Smith.

But beware of conspiracy theories, despite the inspectors' findings that the Fayeds dishonestly represented their origins, wealth, business interests and resources throughout the bid. The inspectors say they "were gratified to note that in this very contentious dispute nobody ever made any aspersions about Mr Barker's and Mr Macaulay's impartiality".

As for the Fayed's seemingly judicious choice of advisers, note that the Egyptian-born brothers were initially advised by another merchant bank, Lazard Brothers, where the prescient corporate financier, Marcus Agius, is said to have warned that the acquisition might be "too high profile" for these hitherto secretive foreigners.

Lazards had a narrow escape thanks to a conflict arising from the interest of a longer-standing client in bidding for House of Fraser – was it BAT Industries in less beleaguered days? So, too, did Morgan Grenfell, which had had earlier dealings with the brothers. Morgan's David Douglas-Home pleaded a similar conflict of interest when approached by Mohamed Fayed.

It was Royal Bank of Scotland that was instrumental in introducing the Fayeds to the hapless John MacArthur of Kleinworts, who is now an independent financial consultant in the City. There, but for a Chinese Wall, other reputations might have foundered.

Bubbles

■ Hydrotherapy seems to work. There is something immensely relaxing about lying in a bath with bubbles being pumped through the water. And, unlike in a Jacuzzi, the pressure is pretty evenly spread. Perhaps the conventional bath is not big enough, but you begin to get used to it. Also makes you sleep well. Further reports later.

Going Italian

■ James Sherwood, the President of Sea Containers, turned up in Rome this week to say that Italy is the land of property investors.

Having fought off a year-long hostile bid from Anglo-Swedish predators, he now says that the time has come to put all his leisure interests into one company. Sherwood plans to turn Orient-Express Hotels into an Italian company, under the name Cipriani Hotels, and to float it on the Milan bourse in about two year's time.

Apart from the Cipriani in Venice, Sherwood's Italian hotels include the Villa San Michele at Fiesole and the Splendido at Porto Fino. Recent purchases are the Mount Nelson in Cape Town and the Copacabana Palace in Rio, which brings his total up to 10 worldwide. Sherwood says he plans to buy another 10 in the next three years.

Football wars

■ Bruised pride in the world of African football, where Algeria is hosting the prestigious Cup of Nations Continental Championship.

"Of course, we've only got their word for it that they're biscuits."

A week ago Egypt announced its last minute withdrawal from the event, on the grounds that it feared for the safety of its team. Sporting relations between the two countries have not been cordial since last November, when an Algerian star player was briefly arrested in Cairo after a punch up following his team's elimination from the World Cup.

Algerian officials demanded that the African Football Confederation (CAF) suspend Egypt from international competition, and hence from the World Cup, where they are drawn against England, Ireland and Holland, for having spoiled their show.

The dispute has involved both President Chadli of Algeria and President Mubarak of Egypt. At the highest level of the game, however, the President of FIFA, Joao Havelange, declared that there was no question of Egypt being kicked out of the World Cup because of a local squabble, whatever the African authorities might say.

Havelange has also ruled that under-developed countries arenot ready to host a World Cup – thus knocking on the head the CAF's campaign for the event to be staged in Morocco in 1998.

The Egyptians sent a reserve team to Algiers in order to avoid the risk of injuries – or worse – to their World Cup squad. The latter continues its preparations in Europe, playing friendlies with countries like Switzerland.

Constitutional

■ A Constitution can come in handy at times. Take the case of Dr Sean McCarthy, former Irish Minister of State and member of the Senate, the upper house in the Oireachtas, the Irish Parliament. Dr McCarthy was stopped by police in Dublin on suspicion of drunken driving. He was subsequently charged with failing to provide a blood or urine sample. In his defence the doctor is reported to have invoked Article 15.13 of the Irish Constitution, which states that parliamentary members are "privileged from arrest in going to and returning from, and while within the precincts of either House".

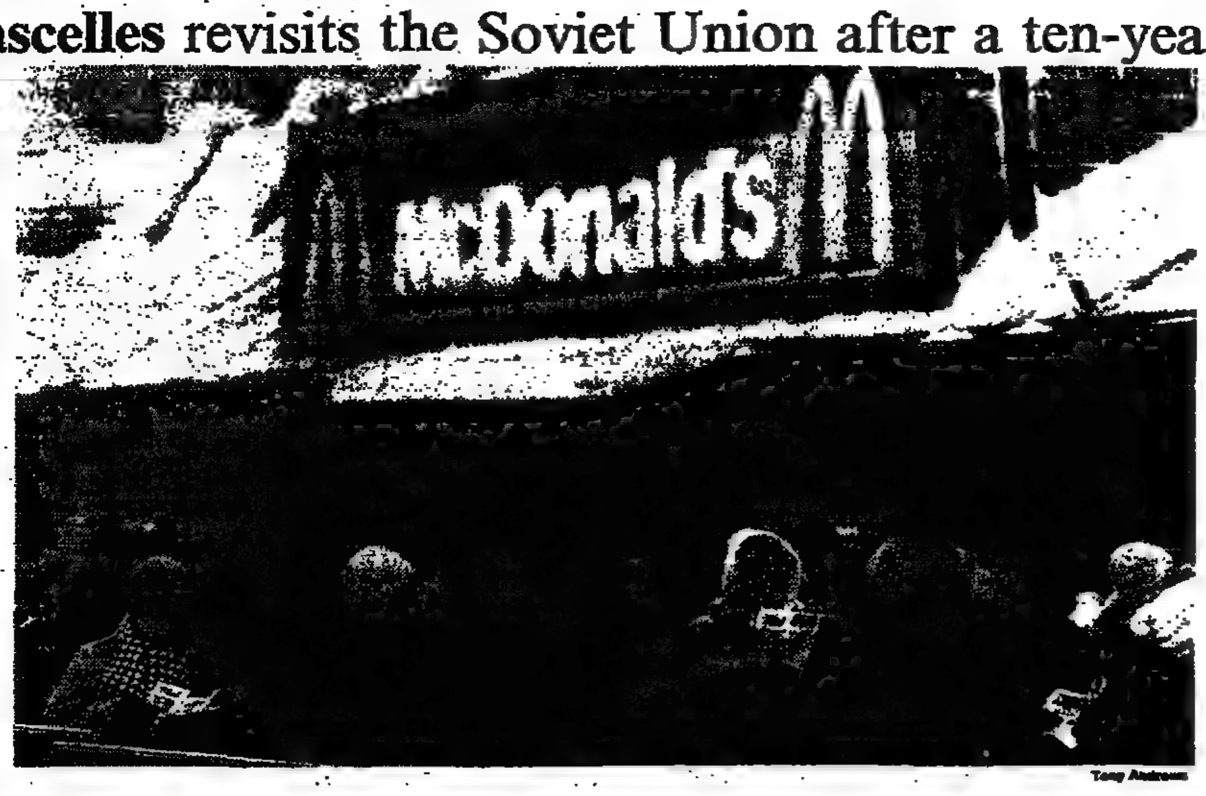
McCarthy was arrested at about 5 am. Senate business had closed at 8.30 pm the previous evening. Parliamentary questions are now being asked about how far the spirit of the Constitution can be stretched.

Heath to stay

■ Edward Heath, the former Conservative Prime Minister, has made it clear that the financial losses he has sustained, through being a member of Lloyds, over the Outhwaite affair are not causing him undue concern.

While describing the losses as "considerable," he said: "They are not going to drive me out of the House of Commons, though. In fact,they may well keep me in."

David Lascelles revisits the Soviet Union after a ten-year absence



Tony Andrews

After the Great Lie, the Ghastly Truth

There is one very striking change about Moscow in the 10 years since I was last there: the political slogans have all gone. No more are the city's inhabitants urged by giant rooftop signs to salute the Communist Party or bust a gut for socialism.

And what a relief that is. Nothing typified the Brezhnev era more than the deafening roar of its propaganda. Without it, Russia has almost become civilised again: you can hear yourself think, you can say pretty much what you like, wherever you like. And for a hospitably-inclined people like the Russians, that has opened the floodgates. In the course of a two-week visit I met more people, was more widely entertained, and left feeling I had made more friends than in a dozen trips in the bad old days. I even got into into the Communist Party's central committee building, previously considered to be more impenetrable for a westerner than the KGB.

The achievements of Mr Gorbachev's glasnost are truly remarkable. There were moments when I actually found myself sweating with Brezhnev-conditioned alarm through reading some startling expose in the new-style Moscow News. As for witnessing the sight of 150,000 demonstrators rallying peacefully by the Kremlin walls . . . it cured all one's earlier despair. Never once do I recall any analyst of the Soviet Union predicting that within 10 years the country would be holding free elections and introducing multiple parties.

But if glasnost has got rid of The Great Lie, it has replaced it with The Ghastly Truth. And the truth is that just about everything to do with the country is in a quite appalling state: the economy, its cohesion, its foreign relations, and also its morale.

It is hard for people in the West to understand quite how bad the situation is. It is not merely that the economy is like an old locomotive running out of steam, and leaving a trail of broken bits along the track. It is also that the situation is getting worse, and offers ordinary Russians virtually no means of escape. One of the big changes Mr Gorbachev has introduced is the right to buy $300 of foreign currency and travel to the West. The bad news is that the rouble has been devalued tenfold, the queue for foreign currency is four *weeks* long (you go there every morning to claim your place), and Aeroflot is booked up for months in advance.

Although nationalist uprisings attract all the media attention, they are only symptomatic of the main story in the Soviet Union, which is the growing prospect that the whole system will grind to a halt. And the consequences of that are very hard to predict.

That may sound alarmist, but the fact is that the normal mechanisms of production and distribution are already breaking down. This means not only the notorious queues, but also the spread of subversion and corruption, with its own insidious effect.

It is virtually impossible to obtain anything worthwhile for roubles; but dollars will cause the scarcest and most luxurious things to appear as if by magic. The economy is rapidly becoming two-tier: the rouble-based state system overlaid by a grey economy where goods are exchanged for barter or hard currency. And there are no prizes for guessing which is the more dynamic. Every factory now holds back part of its production to exchange it for other goods. In shops, the best items are kept under the counter for the same reason. Any self-respecting employer has to be able to secure special deliveries of consumer goods to keep his staff happy, thus further undermining the official distribution system.

In Leningrad, (the Soviet Union's second largest city with 6m people) the City Council has just introduced a measure which forbids non-residents from buying a wide range of basic consumer goods: fresh fruit and vegetables, cheese, meat, sausage, knitwear, china, watches, and so on. This act of self-defence against marauders from neighbouring towns is certain to provoke counter-measures and could, if unchecked, lead to the fragmentation of large parts of the Soviet economy.

If the Baltic states and the Caucasians are struggling to break free from this deadweight, it should cause no surprise. A reason why they may well succeed is that the Russians themselves seem to be too numbed and bewildered to care. Although Mr Gorbachev made his valiant plea to the Lithuanians to stay in the Union, one senses that the imperialist urge is exhausted. Russia is turning in on itself.

The collapse of eastern Europe last year goes virtually unremarked in conversation. It is almost as if this event, which more than any exposed the hollowness of Soviet might, had not occurred. It would have been a great humiliation for the Russians, but for the fact that many things much closer to home are now greatly more humiliating: the inability of the Soviet Union to feed and clothe itself, the worthlessness of the currency, and the futility of 70 years of communism. Moscow may still go through the motions of involvement in international affairs. But it lacks the will and the means to influence them any more.

Even so, the atmosphere is not one of despair. The political debate triggered by perestroika is extraordinarily lively for a country so long conditioned by a one-party system. One evening, when I switched on the TV, all three channels were carrying discussion programmes about economic problems: one had a factory manager explaining why his goods were in short supply, another a government official on the problems of price reform, and the third had a panel of economists.

The debate is largely free of ideological dogma. Virtually all ideas – free markets, convertible currency, a stock market, private ownership, land sales – are legitimate for discussion. There still seems to be an inhibition about allowing foreign investment, but that may be attributable to Russian xenophobia as much as communist taboo. By the same token, there is a strong reluctance to seek a solution in heavy borrowing from the West. Not, it must be said, that western bankers are keen to lend to the Soviet Union: colossal sums would be needed to make any impact.

The real obstacle to progress is the sheer size of the problem, and the doubts that must exist as to whether the Soviet Union has the political will to overcome them.

Although Mr Gorbachev is surrounded by free-marketeer advisers, there is an immense party and government bureaucracy to overcome. And out in the great expanse of the Russian steppe there are millions of people who lead desperately deprived lives but for whom economic reform spells uncertainty and change, the two things that the Russians have historically found most difficult to handle.

They are probably right insofar as a full economic adjustment would entail massive inflation, the disruption of what little exists in the way of social services, and widespread unemployment. And all for the right to exchange the socialist cocoon for the free market goad. Some observers have seen in the widespread provincial revolts against party bosses a grass roots desire for change. But these stirrings reflect frustrations with worsening living conditions rather than a positive urge for reform. Similarly, the mass demonstrations in Moscow and other cities were for greater political democracy. But they did not address the fundamental economic issues.

Where will it all lead?

The Mikhail Gorbachev so widely fêted in the West is an unpopular man back home. The view from Tomsk, I was told, is that he is a dangerous reformer, while "hard-liner" Yegor Ligachev displays the best Russian political traditions of firmness. Any forecast about Gorbachev's future has to be made in the context of a worsening economy and growing political pluralism (for which read disarray).

I came away with the uncomfortable feeling that he may squeak through this winter but could well be brought down by the next. The best that could then ensue would be a highly fluid political situation that enabled big changes to occur in a short space of time – rather like Poland in the last 12 months. This could be quite chaotic but, in the end, fruitful.

The darker scenario holds out the prospect of civil war, with the Russians taking it out on the nationalities and minorities whom they already blame for many of their problems. Quite what role the military would play is hard to judge: traditionally they have been politically neutered, and are not very conspicuous at the moment. The greater danger is that turmoil could throw up a haphazard leader.

Unfortunately, a smooth transition to a new state of being seems the least likely scenario. Russia finds change extremely hard to manage, and the air is full of the ominous grating sound of heavy objects crushing against each other, rather than the hum of well-oiled wheels. It is a fair bet that the 1990s will witness another of Russia's great lurches as it adjusts to much reduced circumstances and the long process of modernisation. But unlike 10 years ago, there will be many now who wish it well.

David Lascelles, the FT's Banking Editor, was East Europe correspondent from 1974 to 1978. He is a contributor to the FT's 20-page Survey of the Soviet Union, to be published on Monday.

LOMBARD

Ali Baba at the Trade Ministry

By John Plender

THERE are times when the blindness of Trade Secretary Nicholas Ridley to the political sensitivities of electorate and party has a certain eccentric appeal. Few of his fellow politicians are, after all, prepared to speak the unthinkable. But with the inspectors' report on House of Fraser it is a case, as Tory backbenchers have indicated publicly and Mr Ridley's fellow ministers admit in private, of blindness bordering on folly. Can there be any justification for such ministerial insouciance in the face of perhaps the most blatant case of deception in post-war corporate history?

Until now it has always been possible for ministers to plead that the involvement of the controversial Tiny Rowland of Lonrho clouded the issue. The antipathy that Mr Rowland continues to arouse in the Conservative party may well provide part of the explanation for the Government's dilatory response to the evidence of dishonest misrepresentation by the Fayeds. But following the damning report by the inspectors there can be no further ambiguity or doubt. What justification, if any, can there be for the Trade Secretary's behaviour?

Mr Ridley's excuse to the Commons for failing to ask the courts to disqualify the Fayed brothers from being directors was based on the public interest. Since there were no longer any outside shareholders in House of Fraser, he argued, such action would have been inappropriate. But as Labour MP Robert Sheldon retorted, lying and cheating had enabled the Fayed brothers to fool the Office of Fair Trading and the Department of Trade and Industry. When a British Trade Secretary can see no public interest in responding when the Government is duped by confidence tricksters, any half honest businessman might wonder whether there is any point in playing it straight.

The one thing that Mr Ridley could argue in his own defence is that his opinion is no more than a reflection of the state of the law. For the chief priority of the legislative and regulatory framework for takeovers in Britain, as in the US, has always been equity between the buyers and sellers of shares in the company being bid for. In the case of House of Fraser, which was valued by the Fayeds' bid at £615m, the shareholders came out exceptionally well; and if they had known more about Mohamed Fayed's background and financial resources they might well have been frightened into accepting a lower bid.

But that is precisely the nature of the problem which has dogged the authorities throughout this story. The injured party in the House of Fraser saga – *pace* Mr Rowland and Lonrho – is confidence in the integrity of the system. The biggest casualties have been the reputations of the advisers involved, merchant bankers Kleinwort Benson and City solicitors Herbert Smith. Will people really be prepared to take the risk inherent in private share ownership or in acquiring listings for their companies, if they know that people like the Fayeds have been treated with kid gloves?

On the positive side, Mr Ridley can argue and has argued that the Companies Act 1989 now makes it a criminal offence for anyone knowingly and recklessly to mislead the competition authorities. The Takeover Code has been tightened up to require increased disclosure from non-corporate cash bidders. But the Trade Secretary gave the game away by telling the Commons, "I do not think that anyone would believe that the events that we are talking about are particularly heavyweight."

It may not matter much who owns a shop in Knightsbridge. But it does matter when a huge company, employing several thousand people thanks to the efforts of earlier managers, changes hands on the basis of dishonest misrepresentation to all and sundry. It matters even more when a British Trade Secretary cannot see that the public interest extends beyond some narrow transactional concern to do with the price at which bundles of shares change hands.

So be warned. The DTI is now in the hands of the forty thieves.

LETTERS

Social costs of the falling price of petrol

From Mr B.A.J. Quirke.

Sir, The recent Monopolies and Mergers Commission report on petrol wholesale neatly (if expensively) demonstrated the major difference between public (and political) perceptions and underlying reality – particularly when the matter is even slightly statistical.

It showed that between 1968 and 1989 the retail price index (RPI) adjusted price of petrol dropped 12 per cent. It also showed that our product price has been slightly below that of our European Community neighbours and that UK pump prices are generally significantly below EC levels because of lower duties.

These facts should be viewed in the following context:

- There continues to be a long-term shortage of this type of hydrocarbon fuel.
- It is generally accepted that private transport is an extremely inefficient but convenient form of transport.
- Private cars are a major source of pollution.
- A large part of Britain's road system is grossly overloaded and likely to remain so.
- There is a growing concern with the human costs of private motoring, for instance when under the influence of drink or drugs.

Unfortunately the inescapable conclusion is that the product should have been priced-up by duty increases in the way that cigarettes have been for social reasons.

Rather than decreasing in real terms by 12 per cent, it should have increased over the two decades by enough to discourage the activity and provide funds for alternative means of mass transport. An increase of even 1 per cent above inflation over the period would have given a compound increase of 25 per cent. The increase in tax revenue would be hundreds of billions of pounds, available for expenditure on transport which could be a pleasure to use rather than a last resort.

The political downside to this argument of course is the detrimental effect on the RPI of such a policy. Perhaps this would be seen in a clearer context if we were concerned with an equivalent EPI – Environmental Price Index?

B.A.J. Quirke,
Chairman,
The Institute of Statisticians,
50 Fitzroy Street, W1

Closed shop in Northern Ireland

From Mr David Green.

Sir, Ralph Atkins's article on Northern Ireland ("No room for manoeuvre," February 28) prompts a question.

Most of the 450,000 people who vote Unionist in Northern Ireland live in Belfast, and a sizeable proportion of them in east Belfast where two major employers dominate the job scene – Harland and Wolff and Short Brothers.

Is not the tetchiness of the Northern Ireland Protestant really the result of his closed shop at work? Is it not similar to the tetchiness of the once-dominant NGA in Fleet Street?

For it is the tetchiness of the closed shop beneficiary at bay, seeing in every development a threat to his life. For both these companies are under threat and if the fate of similar old-fashioned engineering concerns in England is anything to go by, their chances of survival are quite slim!

It is a hard and sad thing to have to say, but how long will traditional Unionist working class attitudes survive the passing of these two companies?

For surely the shock of reduction to the same state of chronic unemployment as that of their nationalist fellow workers in west Belfast will bring a remarkable shift in loyalties. This will be particularly so if, as is always possible, new companies can employ anyone without political bias, and without the closed shop of which these must be the last major survivals.

Maybe it is the case that nothing would help the troubled community of Belfast more than the strict application of Thatcherite policies, no matter how much they may hurt in the short term.

David Green,
62bis rue de Vic,
Calais

The US reafforestation record

From Mr Robert Kincaid.

Sir, Robert Taylor's report ("Sweden tends its man-made forests," March 7) opened with a rather misleading statement.

Sweden and Finland are very far from being the only major timber producing countries which are planting more trees than they are cutting down. They trail far behind the reafforestation and overall multiple-use programmes of the US.

Sweden lags behind the US in net annual growth per hectare in cubic metres. Sweden's annual growth is 2.7 cubic metres whilst in the US it is 3.3 cubic metres.

In fact, in both temperate hardwoods and softwoods the US grows two-and-a-half times as much timber as it uses. The US plants an average of six million trees a day. That is nine trees for every person living in the US every year. The forest products industry plants 55 per cent of those 2.3bn trees, while owning only 18 per cent of commercial forests.

All National Forest lands are managed under the Multiple-Use Sustained Yield Act of 1906. By law we may only harvest as much as we can grow and all forest is replanted or renewed naturally.

Of the land area covered by trees when Columbus discovered America in 1492, almost 74 per cent is still forested. This is due to managed forestry on both a public and private basis dating back over 100 years.

According to the Forest Statistics of the United States, 1987, the forested timberlands of the US now contain over 125bn cubic feet more than they did just 35 years ago.

Sweden, Finland, America and most other softwood and temperate hardwood producing countries invented the green movement long before it became fashionable, and have been responsible protectors of the only major renewable resource available to man.

Robert R. Kincaid,
European Marketing Manager,
US Softwood Timber Associations,
101 Wigmore Street, W1

Sentiment and the stock market

From Mr M.S. Evans.

Sir, Mr Mushtaq Shah and Mr Sushil Wadhwani of the London School of Economics (*Letters, March 2*) provide an excellent illustration of the dangers of applying precise scientific deduction to the uncertain art of investment.

Many years ago when I started working in the City, I remember being told that at all stages share prices were 60 per cent sentiment and 40 per cent reality. The word sentiment does not occur in the Shah/Wadhwani letter and, perhaps, its absence is the missing element they are searching for.

The argument they develop rests on the assumption that the Japanese Stock Market was "correctly" priced on January 1 and from this it follows that the subsequent fall of 15 per cent by February 26 was excessive when related to other factors. But who can ever say that any market is correctly valued. It is possible to make relative judgments, but absolute judgments can only be subjective, based on the facts as known.

As Keynes once said, to be roughly right is better than to be precisely wrong.

M.S. Evans,
Laing & Cruickshank,
Broadwalk House,
5 Appold Street, EC2

Tale of two coffee breaks

From Mr J. Hawthorne.

Sir, Andrew Taylor ("A tale of two building sites," March 7) examines differences in transatlantic working practices but omits any comparisons of the effect of working conditions on the family/social lives of the UK and US workers.

"No time lost at meal or break times" may improve the US workers' economic productivity but to what effect on their lives or on the productivity of their medical advisers or pychiatrists?

A routine break for coffee may improve human relations at work and at home, in a way which "a drink when needed being taken at the workface" may not.

Should not the emphasis be on the humanising of work culture or is the quality of living at the end of the 20th century always to be subjugated to a superficial economic standard?

Jerry Hawthorne,
Witham Weld,
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FINANCIAL TIMES
Friday March 9 1990

BUNDESTAG VOTES NOT TO CHALLENGE FRONTIERS

Kohl reaffirms view on Polish reparations

By David Goodhart in Bonn

MR HELMUT Kohl, the West German Chancellor, yesterday again stressed the need for Poland to renounce reparations claims and do more to protect the rights of the Polish German minority in an angry Bundestag debate on the border issue.

Despite Mr Kohl's retreat, earlier in the week, from making an explicit linkage between reparations and confirmation of the border, he was yesterday in unrepentant and party political mood, and went out of his way to praise Mr Herbert Czaja, President of the Federation of Expellees, as "a good democrat."

The Federation represents the millions of Germans who were expelled from lands now in western Poland and has lobbied against a formal acceptance of the existing border.

The formal motion passed by the Bundestag accepted that the existing border would not be questioned "either now or in the future."

A similar motion will be agreed by both German parliaments after free elections in East Germany, but a legal treaty will not be signed until there is a united German government.

Polish President Wojciech Jaruzelski said the resolution by the West German parliament pledging that a united Germany would not challenge Poland's borders was "not fully satisfactory."

Genscher: urged quick constitutional route to German unity

It did not specify the borders it was talking about, omitted reference to Poland's existing border treaties with East and West Germany and referred to German "legal positions" based on the 1937 frontiers of the Third Reich.

"That is why I treat this statement as a quarter step forward which still arouses our anxiety because it includes some insinuations and a dodge," Jaruzelski said in a a French radio interview.

In Bonn, Mr Hans-Jochen Vogel attacked Mr Kohl's populism as constituting a "political risk factor" for Germany. He added that compared with the Chancellor the "elephant (in the china shop) was like a ballet-dancer."

Mr Hans-Dietrich Genscher, the Foreign Minister, came out in favour of Article 23, the speedy constitutional route to unity, describing it as "a joining not an annexation." Mr Martin Bangemann, his Free Democrat party colleague and EC vice president, agreed that an Article 23 linkage would be the best for the EC.

● In Brussels yesterday, Chancellor Kohl received warm support from Nato allies for his eventual endorsement of Poland's post-war borders when he *addressed* ambassadors of the 16-nation alliance here, writes David Buchan.

Mr Manfred Wörner, secretary-general of Nato and Mr Kohl's former defence minister, said after the meeting that the ambassadors of Bonn's 15 Nato allies had given unanimous and unequivocal approval to German unity, to the place within Nato for a unified Germany, and to the latest statements from Bonn confirming Poland's existing frontiers.

In what one diplomat termed as "a highly emotional performance," the German Chancellor described his feelings on addressing election meetings in East German cities, with "hundreds of thousands of people shouting Ein Volk (one people)."

Defending himself against the charge that he was rushing unification, he said that events in East Germany itself had overtaken the timetable which he had originally set out last autumn and said that deterioration of the situation in East Germany, with some 160,000 people leaving in the first two months of this year, was not his responsibility.

"I want this process to develop at a reasonable pace," he said, promising to take into account the interests of all Germany's "friends, partners, neighbours, East and West."

Yesterday's meeting was the start of "a *formal* sequence of consultations on German unification and its European security aspects," Mr Wörner said.

These consultations would take place in Nato at official and ministerial level, and would be synchronised with similar discussions among the two Germanys and the four wartime allies, he said.

● The British Government has changed the name of the British Military Government in Berlin to British Mission Berlin in a significannt symbolic gesture towards the new political realities in Germany.

Fresh discord over Japan monetary policy

By Stefan Wagstyl in Tokyo

AN ARGUMENT over monetary policy between the Japanese Ministry of Finance and the Bank of Japan erupted into the open again yesterday.

Mr Toshihiko Fukui, an executive director of the central bank, and Mr Makoto Utsumi, Vice Minister for international affairs at the Finance Ministry, aired their differences at an international financial conference in Tokyo.

Mr Fukui repeated an argument advanced by Mr Yasushi Mieno, the bank governor, that rises in the price of assets increased the risk of general inflation and contributed to the recent decline in the yen.

Asset prices in Japan, particularly land, were rising significantly faster than elsewhere, so reducing the yields on Japanese assets below yields in other countries.

This increased the attraction of foreign investment, he said. This phenomenon alone could not explain the yen's fall.

Mr Utsumi said the previous upsurge in land prices in Japan came in 1985-86 when the yen had been strong so there was no necessary correlation between land prices and the currency.

The notion that asset prices were responsible for the current weakness of the yen was "very tricky and misleading," said Mr Utsumi.

Meanwhile, a senior central bank official denied reports that the central bank had already decided to raise the Official Discount Rate.

Such reports were groundless and a total nuisance, Mr Hiroshi Yoshimoto, the bank's deputy governor, told a committee of the Diet (Parliament).

The current state of the economy, prices, foreign exchange and interest rates did not require such a change.

Alfonsín warns of threat to democracy

By Gary Mead in Buenos Aires

MR RAUL ALFONSIN, who left the Argentine presidency last year, has warned that democracy in the country is under threat, as demonstrators took to the streets again yesterday in several cities.

In his first major domestic announcement since he stepped down last July, Mr Alfonsín, who relinquished government to President Carlos Menem, said the country was heading for "authoritarianism" if a political coalition was not "rapidly" worked out.

He alleged during a television interview on Wednesday that members of Mr Menem's Peronist government were studying the possibility of closing Congress, through the use of a 1909 decree.

The Government has already said that it has cleared the way for the armed forces to be used in the case of internal disturbances.

Mr Alfonsín was yesterday bitterly attacked by senior Peronist politicians. Mr Cesar Arias, Justice Secretary, said suggestions that the government was about to suspend Congressional operations is "the product of his [Alfonsín's] fantasy."

The Government is also angry at US press reports that Argentina is once more on the verge of a military coup.

The last military takeover, in April 1976, toppled a Peronist government, and lasted until Mr Alfonsín was democratically elected in 1983.

The current economic crisis is considerably worse than that which facilitated the 1976 coup, but the country seems far away from any repetition of those events.

Mr Alfonsín's remarks are regarded as a bid to reopen the possibility of working with Peronists growing increasingly disgruntled with President Menem's commitment to cuts *in the public sector,* and liberalisation of the economy.

In a few days, the former president is due to meet Mr Saúl Ubaldini, head of the anti-Menem faction of the CGT, Argentina's national trade union organisation.

There is an increasing likelihood of a new anti-Menem alliance, comprised of pro-Alfonsín members of his Radical party, trade union leaders, and dissidents in the Peronist party.

Bank forecasts easier time for importers

By Stefan Wagstyl in Tokyo

IMPORTERS will find it progressively easier to penetrate the Japanese market for consumer goods, but more difficult to sell industrial products and services, says a Japanese bank report.

The rise of supermarkets and chain stores is reducing the power of Japanese manufacturers in the retail market, says the Industrial Bank of Japan (IBJ).

However, in industrial markets, Japanese manufacturing companies are cutting out middle-men to get closer to customers, in the face of increasingly tough competition.

Foreign companies entering the consumer goods market should sell through mass-market stores, or retail directly themselves. But in the industrial goods market, overseas companies should forge links with the large Japanese industrial groupings to make use of their distribution channels, the bank says.

IBJ says the best way for the US Government to open Japanese markets further might be to press for the rigid enforcement of the Japanese Anti-Monopoly Law to eliminate exclusive arrangements between Japanese manufacturers and distributors.

The bank implicitly acknowledges the merit of Washington's attack on the Japanese distribution system. It says: "Distribution channels are not very open due to groupings of sales outlets, which are the product of fierce market competition in Japan."

The bank surveyed seven industrial (or intermediate) products, including steel, electric wire, machine tools and semiconductors, and 12 consumer goods markets, among them clothing, cosmetics, cars and beer.

The IBJ says that many of the business practices criticised by foreigners – including exclusive sales agreements, sale-or-return pacts and rebates – are the result of intense competition. Manufacturers often cannot differentiate their goods from competitors, so they try to boost sales by applying pressure along the distribution chain. In addition to which, customers expect manufacturers to play a large role in after-sales service.

Even if Japanese manufacturers were obliged to drop exclusive agreements, foreigners would find it difficult to enter markets, unless they spent enormous amounts of money on advertising and sales administration.

The report adds that in the case of semiconductors, a battleground between the US and Japan, foreign companies rely too much on small and medium-sized trading companies, which handle about 65 per cent of foreign chip sales.

These trading companies have weak technical and marketing skills. More foreign companies should forge links with Japanese manufacturers, as Motorola has with Toshiba, says the IBJ.

"Though the US criticises the grouping of distributors by manufacturers, we wonder if the US might consider taking advantage of such groupings in order to sell products in the Japanese market, where competition is severe and consumers are very selective."

IBJ Review: No 9. The Industrial Bank of Japan, 1-3-3 Marunouchi, Chiyoda-ku, Tokyo.

Controversy still surrounds Kaifu

MR Toshiki Kaifu, Japan's Prime Minister, was embarrassed yesterday by a continuing controversy over whether he and US President George Bush discussed the "specifics" of trade disputes at their Palm Springs meeting last weekend, writes Robert Thomson.

On return, Mr Kaifu, in an effort to emphasise the broader bilateral relationship, said that the two leaders had avoided the details of trade issues and a party spokesman called two press conferences to make that point; the second was held to correct an earlier statement that details were discussed.

Yesterday, Mr Kaifu said in parliament that he and Mr Bush had "specifically discussed" trade, a statement prompted by a speech overnight by Mr Bush to the American Electronics Association in which he said that exports of semiconductors, supercomputers, lumber products, satellites and communications equipment were discussed.

Later yesterday, the US embassy in Tokyo, conscious of Mr Kaifu's embarrassement, released a statement on the "differing reports" of the conversations. The embassy said that President Bush "did not raise any specific structural issues about Japan" and had discussed structural barriers to trade "in a general manner."

Nixon the statesman returns to his old haunts

Continued from Page 1

"extraordinary tour de force, a sense of half a century of history."

Mr Nixon in person does convey that breadth and experience.

Reminiscing of when he was first in the House in 1947-48, with an office a couple of doors along from fellow freshman congressman John F Kennedy, Mr Nixon talked of how both voted for President Truman's crucial decision to provide military aid for Greece and Turkey.

"It was a good vote and it started the bipartisan policy which I hope can be reinitiated today."

Confident of victory in his lifelong battle against communism, he said the greatest responsibility now is to see that freedom works.

At one point a reporter addressed him as Mr Gorbachev; amid the laughter he replied, "I've been called worse."

Mr Nixon, responsible for the US opening to China in 1972, defended the Bush administration's controversial policy of keeping open contacts with the Peking regime.

The US had always, he said, used its influence to moderate Chinese policy.

If anyone could export democracy to China, he said, it was only the US, and could never be the Soviet Union.

He did have a word of sympathy for his successor-but-two, former President Ronald Reagan.

He was not surprised that Mr Reagan could not remember everything about the Iran-Contra affair when he gave eight hours of videotaped testimony for the trial of Mr John Poindexter, the former national security adviser.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	[illegible]	59	Dubrovnik	S	13	55	Malta	C	[illegible]	[illegible]	Rhodes	S	13	55
Algiers	S	21	70	Edinburgh	R	9	48	Manchester	C	[illegible]	[illegible]	Rio de J'o	C	32	90
Amsterdam	C	[illegible]	[illegible]	Faro	C	15	59	Manila	[illegible]	[illegible]	[illegible]	Rome	S	14	57
Athens	C	10	50	Florence	S	13	55	Melbourne	S	[illegible]	73	Salzburg	F	[illegible]	[illegible]
Bahrain	S	21	70	Frankfurt	F	7	45	Mexico City	R	20	73	San Francisco	C	9	48
Bangkok	F	33	91	Funchal	C	16	61	Miami	C	17	63	Seoul	S	[illegible]	[illegible]
Barcelona	S	14	57	Geneva	S	7	45	Milan	S	10	50	Singapore	F	[illegible]	[illegible]
Beirut	–	–	–	Gibraltar	C	14	57	Montreal	S	-17	1	Stockholm	C	[illegible]	[illegible]
Belfast	R	8	46	Glasgow	R	9	48	Moscow	C	-1	30	Strasbourg	S	8	46
Belgrade	C	9	48	Guernsey	F	9	48	Munich	S	[illegible]	[illegible]	Sydney	[illegible]	19	66
Berlin	C	8	46	Helsinki	C	3	37	Nairobi	–	–	–	Taipei	R	20	68
Biarritz	S	13	55	H. Kong	F	17	63	Naples	[illegible]	13	54	Tangier	C	18	64
Bombay	F	27	81	Innsbruck	S	7	45	Nassau	C	25	77	Tel Aviv	C	16	61
Bordeaux	S	13	55	Inverness	R	8	47	New Delhi	S	21	70	Tenerife	S	19	66
Brussels	C	8	46	Islamabad	F	18	64	New York	F	-3	27	Tokyo	F	11	52
Budapest	F	10	50	[illegible]	S	6	43	Nice	S	14	57	Toronto	S	-13	9
B. Aires	–	–	–	Jakarta	F	30	86	Nicosia	C	[illegible]	[illegible]	Tunis	C	14	57
Cairo	C	19	66	Jersey	S	10	50	Oporto	C	11	52	Valencia	F	15	59
Cape Town	–	–	–	Jo'burg	T	17	63	Oslo	F	7	45	Venice	S	10	50
Caracas	C	25	77	Lima	F	28	82	Paris	S	[illegible]	[illegible]	Vienna	C	10	50
Casablanca	S	18	64	Lisbon	C	11	52	Peking	S	[illegible]	[illegible]	Warsaw	C	[illegible]	[illegible]
Chicago	C	1	34	London	C	10	50	Prague	C	[illegible]	[illegible]	Washington	S	-1	30
Cologne	C	7	45	Los Angeles	–	–	–	Reykjavik	F	-4	25	Zurich	S	7	45
Copenhagen	C	[illegible]	[illegible]	Luxembourg	C	5	41								
Corfu	S	13	55	Madrid	S	10	50								
Dallas	C	[illegible]	[illegible]	Majorca	C	13	55								
Dublin	C	[illegible]	[illegible]	Malaga	C	15	59								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Airbus warns on airport congestion

Continued from Page 1

to rail in Europe by the end of this century. But he said Airbus regarded *these rail* services as complementary rather than competing against air travel.

Airbus argues that relaxing the existing strict curfew rules at European airports could help ease airport congestion. Mr Jost said the new generation of more environmentally and noise sensitive jet aircraft justified the easing of European airport curfew regulations.

The Airbus report remains optimistic on the overall prospects for the civil aircraft industry, forecasting 12,000 *new aircraft deliveries* worth about $700bn over the next 20 years.

This estimate is similar to the latest civil aircraft market forecast by the US Boeing company which said earlier this week that its expects 9,935 aircraft worth $626bn to be sold between now and the year 2005.

Sustaining this strong demand for jet aircraft is the combination of continued growth in both passenger air travel and cargo and the need *of big airlines to replace ageing* aircraft.

The Airbus report also showed that tourist passengers would greatly outnumber business air travellers by the turn of the century, possibly accounting for as much as 80 per cent of all airline passengers.

In turn, this could create problems for airlines focusing essentially on the business travel market.

THE LEX COLUMN

Rolls-Royce at crossroads

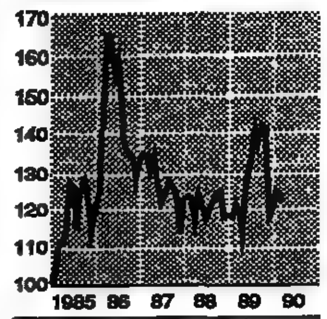
In public perception terms, the Vickers affair shows every sign of shaping up into another symbolic debate about short-termism and the City's alleged betrayal of British industry in pursuit of a fast buck. The whole thing is right out of central casting: an Australasian corporate raider trying to carve up a great name of British business (Vickers), to make a swift killing from an even greater one (Rolls-Royce Motors). If institutional shareholders show the slightest sign of backing Sir Ron Brierley's demerger plan, they will doubtless be pilloried publicly.

It will be very unfortunate if the arguments about Vickers are seen in such a stereotyped way, or drummed up into a *cause célèbre* on the BTR/Pilkington scale. This is not because Vickers is only a £560m market capitalisation company. Neither is it because Vickers has reshuffled itself out of all recognition; nor because Sir Ron Brierley's demerger call smacks of being a last-ditch effort to make his £90m investment in Vickers worthwhile, given that no bidders have appeared.

It is simply that the questions here are rather mundane: the only national interest question surrounds the Challenger tank, now not a huge part of Vickers. The point is that Vickers itself has been more than willing to sell businesses when it feels it has nothing to add, as shown by its 1989 sale of Howson Algraphy. This is not an entrenched, inflexible management, wedded to size for its own sake. That being the case, the central question for argument over the next few weeks is simply how much Rolls-Royce Motors would be worth on its own, whether the Vickers share price reflects it, and if not, what Vickers will do about it. In Germany, BMW's shares trade on 10 times earnings, and Porsche on 26 times: the Vickers argument can start there.

Vickers

Share price relative to the FT-A All-Share Index



Ladbroke

There are two faces of Ladbroke. There is *the cash-machine,* its betting operation, which when coupled with the apparently resilient Texas Homecare, looks as though it pumped out enough money in 1989 to pay the whole group's dividend. Alongside that is the deal-making hotel and property company, the two bits whose growth pushed net debt up to £1.4bn at the 1989-year end. For now it is the City's slightly *cold feet about* Ladbroke the deal-maker which appears to be controlling the share price, given Ladbroke's underperformance of the FT-A All-Share so far in 1990. If so, this looks like a buying opportunity.

GrandMet/Elders

Now that the Grand Metropolitan/Elders deal is at last official, the chief satisfaction for GrandMet's shareholders is that they will not, after all, end up as minority backers of Mr Elliott. It is not yet clear how much cash they will get for their breweries, although the effect of the package is likely to reduce GrandMet's gearing by 25 per cent. But the deal is at least consistent with GrandMet's recent *strategic emphasis* on its skills in retailing and property management.

As for Elders, it is worth noting that the net effect is not simply one of retrenchment. Harlin, through which Mr Elliott and friends own 55 per cent of Elders, is obviously in a tight place. Hence, the A$1.00 per share cash distribution to Elders' shareholders as part of the dismembering of the Elliott empire, plus the fact that Harlin will sell down at least part of its entitlement in the spun-off Elders Agribusiness.

GrandMet's apparent refusal to help Harlin further by buying up Elders equity will have been correspondingly disappointing. But in pushing ahead with the purchase of Watney's breweries, *Mr Elliott is* sticking to his plans to take Foster's beer to the world at large and Europe in particular.

Yesterday's drop in Elders' share price was a natural response to GrandMet's withdrawal as buyer of the shares. But the new Foster's business should have certain attractions, not just through its position in international brewing but because of the simplicity – in Australian terms at least – of its operating and financial structure.

TI Group

Yesterday's 34 per cent final dividend increase was a reminder of the strength of TI's recovery under Mr Lewinton. But the sources and applications of funds table also shows the cost of refocussing the group. Some £53.6m of reorganisation costs were incurred in 1989, not far short of half the pre-tax profits. No breakdown is provided of this massive figure, though one is promised for the report and accounts.

The puzzle of how TI, which spent only £43m on acquisitions in 1989, could suffer a goodwill write-off of £92m, is thereby solved. The restructuring costs are regarded, using SSAP 22, as a reduction in the fair value of acquisitions made in 1988, thus requiring a further goodwill write-off. To add to the fun, this involves a retrospective adjustment to the 1988 accounts, adding £56m to the provisions for liabilities.

Accordingly, TI, which received £40m from Mannesmann and had a net surplus of £60m of disposals over acquisitions, ended the year with an unchanged net asset value of around 155p per share. Admiration for the management's success in remoulding TI as a specialised engineering company *is understandable but perhaps* yesterday's 20p jump in the share price was overdone.

AMI

At first glance, AMI Healthcare shareholders have little to grumble about. In the two years since their company was floated, their shares have risen by over 70 per cent, or twice as fast as the market, and although they are being bought out at a modest discount to the pre-bid price, it is still an exit multiple of over 15 times prospective earnings.

However, scrape the surface a little and the AMI deal is yet another sign that the UK takeover business is not what it was only a few months ago. In common with an increasing number of vendors, AMI's highly leveraged US parent needs the cash. So it has not been able to insist on selling a controlling stake in a very profitable business at a premium, and it has had to accept that, on a price per bed basis, AMI is being sold for 23 per cent less than BUPA paid for HCA's UK hospitals last summer.

FINANCIAL TIMES
COMPANIES & MARKETS
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Friday March 9 1990

INSIDE

Canadian opposition to British Gas deal

British Gas's proposed C$1.1bn ($927bn) purchase of Consumers Gas of Toronto has provoked *a flurry of political opposition in Canada* and a lukewarm reaction in the country's investment community. Critics have pointed to growing foreign involvement in the domestic energy industry, especially in the wake of the US-Canada free trade agreement. David Peterson, the premier of Ontario, whose government has a veto over the Consumers takeover, refused to comment on the specifics of the British Gas offer, but said: "In general terms I'm not in favour of foreign takeovers." Bernard Simon reports from Toronto. Page 24

Happy ever after?

The search for a white knight does not always produce a fairy-tale ending for a company facing a hostile takeover bid. Sometimes the target's proposed rescuer *transforms itself* into a hungry predator. That is the unwelcome situation facing Sketchley, the UK services group best known for its dry cleaning outlets, which yesterday drew a £96.5m bid from Compass, a contract catering and health care company. This was the second bid for Sketchley within a month. Page 30

Losing altitude

Shares in European airlines have fared badly over the past nine months. Lufthansa, the best performer, has fallen about 3.5 per cent since reaching a high last September, while Swissair's price relative has fallen 27 per cent against the West German market from a peak in July. Despite two or three years of general profitability, and a positive response to the prospect of 1992 through forging links with each other, continental airlines now face a threat to their earnings. Page 44

Towards a bigger apple

There has been much *talk of a Nymex-Comex marriage* in recent years, but current negotiations between New York's two largest commodity exchanges now seem to have brought *the altar into sight.* According to Mr Patrick Thompson, the Nymex president, final proposals could emerge in the next four to six weeks. Arnold Staloff (above), president and chief executive officer of Comex, said "the iron is hot now . . . we have to do something soon." The merged exchange would harbour a powerful range of commodity futures markets, including precious and base metals, as well as energy contracts. Page 31

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Beiersdorf	790	+	16
Daimler-Benz	898	+	12
Holzmann	1230	+	20
Ind. Werke	436	+	13
Schering	812.5	+	11.5
Falls			
Rosenthal	342	–	5

NEW YORK ($)

Rises			
USX	36½	+	⅞
Falls			
Bard (C.R.)	14⅛	–	2⅝
Fluor	42¼	–	⅝
Hilton Hotels	49⅞	–	11⅛
NCNB	43⅞	–	1½
UAL	132½	–	2

New York prices at 12.30.

PARIS (FFr)

Rises			
Air Liquide	646	+	24
Bouygues	584	+	12
L'Oreal	4750	+	200
Roussel	1940	+	70
Vallourec	425	+	25
Falls			
Redoute	3075	–	84

TOKYO (Yen)

Rises			
Fujikura Kasei	1310	+	190
Miyazaki Bk.	2020	+	270
Niigata Chuo	1740	+	200
Nitto Seimo	1190	+	140
Shinwa Bk.	1590	+	200
Tokyo Sogo	1310	+	160

LONDON (Pence)

Rises			
Cadbury	320	+	6
Grand Met	580	+	11
Hammerson A	705	+	17
LASMO	611	+	9
Lucas Inds.	595	+	15
Redland	548	+	13
Rugby Grp.	169	+	7
Steetley	368	+	9
TI Grp.	458	+	20
TVS Ent.	114	+	7
Unilever	644½	+	9½
Vickers	214	+	17
WPP Grp.	656	+	9
Falls			
ADT	190	–	6
AMI Healthcare	370	–	8
Antofagasta	570	–	36
Baggeridge	111	–	13
Higgs & Hill	381	–	9
Reuters	1097	–	6

Vickers rejects Rolls Royce demerger plan

By Ray Bashford in London

VICKERS, the engineering, defence and luxury car group, yesterday firmly rejected a plan to demerge its Rolls Royce Motor Cars subsidiary which was proposed by IEP Securities, the UK investment arm of New Zealand businessman, Sir Ron Brierley.

The rejection followed the announcement yesterday morning by IEP that it would seek shareholders' approval at the Vickers annual meeting next month for a demerger, the buying back of 10 per cent of the company's capital and the cancellation of preference shares.

The New Zealand company's move intensified the friction between the companies which has grown during the past two years while IEP built up an 18.2 per cent stake in Vickers, making it the biggest shareholder.

Vickers' shares rose 17p to 214p following the IEP announcement. This compares with an average purchase price of 200p each for the 45m shares that IEP has acquired.

Sir David Plastow, Vickers chairman, has repeatedly called for a clarification of Sir Ron's plans for the holding and the possibility of a demerger of Rolls-Royce was discussed between the two men last month.

Sir David yesterday dismissed the New Zealander's move as "a standard ploy" from a company which, he said, derived much of its earnings from stock market investments.

"The board of Vickers has already considered this issue in detail and resolved unanimously that Rolls Royce should be retained within Vickers," Sir David said.

IEP said a demerger of Rolls Royce would enhance the value of shareholders' investment in Vickers and play a crucial role in a restructuring of the group.

Sir Ron said Vickers was "a conglomeration" of businesses which were not understood. "Rolls Royce is by far the most important component, but this is not appreciated in the present structure," he said.

IEP is proposing to allow Vickers' shareholders to participate in the demerger on a one-for-one basis. Sir Ron said that on a conservative estimate each Rolls Royce share created through the demerger would be worth £1.10, placing a price of £285m ($467m) on the group.

This share price estimate is based on fundamental assessment of value, not the price at which group could be sold-off. IEP forecasts that each share could be worth up to £2, based on prices received recently for prestige vehicle makers.

Sir David said it would be inappropriate at this time to comment on the proposal to buy back 10 per cent of the capital.

Several companies, including ICI, Guinness, BAT Industries and Great Universal Stores are involved in buy-back schemes.

Lex, Page 20

TI pre-tax earnings leap 31% to £111m

By David Owen in London

SHARES OF TI Group, the much-restructured UK specialist engineering company, in which Mannesmann of West Germany holds a 5 per cent stake, yesterday rose 20p to 458p on news of a 31 per cent increase in 1989 pre-tax profits.

The company attributed the improvement, to £111.5m ($182.8bn) from £85.4m, primarily to organic growth. "What this has proved is that our strategy was right," said Mr Chris Lewinton, chairman.

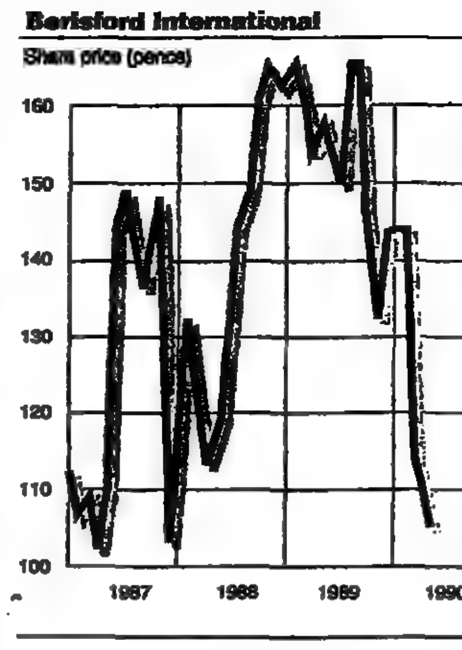
Since 1986, TI has regrouped around its mechanical seals, small diameter tubing and furnace equipment businesses. It completed the divestment of its automotive division with the £13.5m sale of TI Cox to BTR in January.

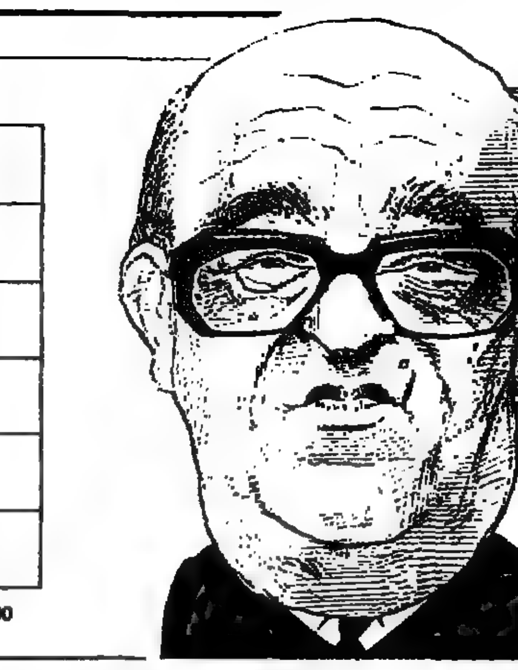
Operating profit was ahead 19 per cent at £106m (89.4m), including £5.1m (£28.2m) from discontinued activities and a higher pension-scheme credit.

The profit advance was achieved on turnover down 3 per cent at £926.9m (£958.9m). The decline was attributed to the fact that disposals outweighed acquisitions in their effect on sales. The group said sales growth of its core activities was 15 per cent.

Earnings per share climbed 29 per cent to 49.0p (38.1p). A final dividend of 11.75p (8.75p) raises the total to 17.5p (13.5p).

Lex, Page 20





Ephraim Margulies, Berisford's chairman: unlikely to continue in any meaningful role

Whose hand will be on the sugar shaker?

Clay Harris on pressures for change at Berisford

Things cannot go on as they are at Berisford International. This has been said for years about the ill-starred company, which owns the UK's biggest sugar producer and a host of investments in property, financial services and commodities trading. But there is no doubt now that it is true.

What is uncertain, however, is who will preside over the imminent restructuring at Berisford. Will current management be allowed to carry out its new strategy of selling everything except British Sugar and its satellite food companies, or will increasingly restless shareholders force wholesale changes at the top?

The man most likely to survive is Mr Peter Jacobs, Berisford's chief executive since December. At British Sugar, Mr Jacobs has transformed the UK market. So far, this has benefited his own company less than it has its rival, Tate & Lyle. But now he is looking for the time – and good fortune – to redress the balance.

One man unlikely to continue in any meaningful role is Mr Ephraim Margulies, Berisford's 65-year-old chairman. In his time, "Marg" also transformed Berisford, buying British Sugar in 1982 in a deal intended to add a stable earnings flow to its volatile original business of commodities trading. In later years, however, Berisford lost its way and investments went badly wrong, especially in the Manhattan property market, where several deals were concluded on the weekend of the October 1987 crash.

Mr Margulies was caught up in the Guinness affair – through Berisford subsidiaries' alleged participation in a share-support scheme – although he has not been charged with any offence. Now the knives are out.

Associated British Foods, the UK milling and baking giant which owns 23 per cent of Berisford, has brought the issue into the open and is attempting to rally institutions to support changes on the board. So far they have been cautious, but an exploratory meeting is expected to be held today.

ABF, controlled by George Weston Holdings of Canada, actually won a £767m takeover bid for Berisford in 1987, but declined to claim its prize after the crash. It argued then that Berisford should shed everything except food. This was rejected by the defending management which emphasised the strength of its diverse interests.

Mr Harry Bailey, ABF finance director, says: "We still believe we were absolutely right and justified in view of what subsequently transpired."

In 1988-89, Berisford Bristar, the food and agribusiness division, contributed profits before tax and interest of £111.9m, 56 per cent of the group total. Even this flattered the rest, because the sale of Berisford's stake in Billingsgate City Securities accounted for most of the £49.1m in property profits.

Taxation and £125.7m in exceptional and extraordinary charges from property and other non-food activities pulled Berisford into an attributable loss of £34.6m. It had to transfer another £30m from reserves to maintain its dividend.

As a result, analysts now put a higher price on British Sugar alone than on the whole group, which had a market value yesterday of £525m. Mr Carl Short of Kitcat & Aitken believes British Sugar is worth at least £600m, while Mr Michael Bourke of Prudential-Bache goes up to £750m, or £924m with a bid premium.

One reason British Sugar is worth so much now is the decision in 1986, shortly after Mr Jacobs joined from Mars, to raise prices. It had been keeping them low to squeeze Tate & Lyle. As a cane refiner in the beet-biased European Community, Tate had much slimmer margins and was at the mercy of British Sugar.

Mr Jacobs realised that British Sugar could raise prices without jeopardising its dominant position, giving room for both companies to make healthier profits. In truth, his company had little choice after an EC investigation of its supply practices towards the independent merchant Napier Brown. For Tate, the resulting surge in profits at home (and subsequent aid from Brussels) laid the foundation for the North American and European acquisition spree which made it the world's largest sweeteners group.

Since 1986, the UK premium for packet sugar has increased from £20 a tonne to £60-£70 a tonne. In January of this year, British Sugar began to raise bulk prices. It now has the third highest margins among leading food companies in Europe, according to Euromonitor.

British Sugar's renaissance, however, has not been achieved only by raising prices, according to Mr David Lang of Henderson Crosthwaite. Mr Jacobs has closed factories and reduced staff by one-third. British Sugar looks secure if it can shed the albatross of peripheral activities. But Mr Bailey of ABF says: "We don't know how they're going to get there from here."

Mr Bourke of Pru-Bache sees problems in the scale of the disposal programme. The 1988-89 annual report lists 39 principal subsidiaries, affiliates and partnerships outside the food sector. "Some will not be that easy to sell and they will really have to get a move on." Mr Lang says: "The question is whether the retreat will be relatively successful like Dunkirk or whether it will resemble the retreat from Moscow or Stalingrad."

Insisting he will not be rushed on disposals, Mr Jacobs nevertheless says: "We would like to get rid of them all." He hopes to be finished by September 1991.

In the near future, however, attention will focus on the composition of the Berisford board. Many institutions have come round to ABF's view that the annual spectacle of skeletons being dragged from cupboards must come to an end. This year, it was a US director's pension scheme, last year it was Berisford's undisclosed financial exposure to a takeover bid being mounted by a US affiliate.

Of the goal in sight, says Mr Bailey, "We don't have confidence that the existing management can take us there."

But do the institutions have the nerve – or the clout – to insist on changes? "The weight of the institutions' voice is much less because they've been selling out for years," says Mr Bourke. Many leading fund managers are underweight in Berisford, and probably thankful they are.

Four parties now control more than half the shares, a situation described by Mr Bourke as inherently unstable. After ABF's 23 per cent, the Pritzker family of Hyatt hotel fame owns 11 per cent friendly to the current board (on which it has two representatives). Goodman International, the Irish agribusiness group, has a similar stake. The Margulies family controls 6 to 7 per cent.

This balance of power explains why ABF has been unwilling in the past to push matters to a vote. But a consensus now seems to be building for the appointment of additional non-executive directors and a new chairman.

It remains to be seen how far institutions are willing to go. Finesse will be needed to find a solution which allow Mr Margulies to step down with dignity intact, while achieving the goal.

GrandMet and Elders close to deal

By Clay Harris, Consumer Industries Editor, in London

GRAND METROPOLITAN, the *food and restaurants group,* and Elders IXL, the Australian owner of Courage, said yesterday they were close to completing a deal which would create Britain's second largest brewing group and its biggest chain of public houses.

The transaction, expected to be finalised next week, will be the biggest shake-up in UK brewing since the Monopolies and Mergers Commission report on the industry in 1989. It is likely to presage further consolidation, leading to the higher concentration of ownership which exists in every other western country except West Germany.

"The rationalisation of the British beer industry has begun," Mr John Wakely of Shearson Lehman Hutton said yesterday. Ms Michelle Proud of County NatWest WoodMac agreed: "We think that in the medium term there will be three big brewers and lots of little ones."

The imminent deal was announced in London after Elders unveiled its long-awaited restructuring package in Australia. Elders plans to concentrate on becoming a global brewer, centred on its Foster's lager brand, and to sell or float off all its non-brewing interests.

GrandMet, on the other hand, is abandoning brewing after nearly two decades, having accepted that it could not become a global or even a Europe-wide brewer. It was handicapped because it did not own the lager brands – Foster's and Carlsberg – which accounted for more than half its output.

It intends to sell its four UK breweries and brands which include Watney, Truman, Ruddles and Websters to Courage for £375m ($615m) in cash. It will retain property worth about £75m.

The UK company will also inject its 3,500 tenanted pubs into Inntrepreneur Estates, a joint venture with Courage, which will be managed by GrandMet's property division and will initially own 8,500 pubs in all. This transaction will raise at least another £425m in cash for GrandMet.

Under regulations announced in December, limiting brewers' retailing interests, only about 5,000 of the Inntrepreneur pubs can be tied to Courage. Others will sold or operated as free houses. In addition, 320 of the Courage pubs in Inntrepreneur will be leased to GrandMet's managed pubs and restaurant business which will then have more than 2,000 sites.

Mr Allen Sheppard, chairman, said GrandMet's decision to focus on property would have pleased the late Lord Joseph, who led the company into brewing with the acquisitions of Truman in 1971 and Watney Mann in 1972. "I think he'd like the transaction very much. I think he'd be drooling over it."

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BSN venture buys Nabisco units

By William Dawkins in Paris

BRITANNIA Brands, a joint venture between BSN, the internationally ambitious French food group and Mr Rajan Pillai, the Indian industrialist, yesterday unveiled a $180m takeover of RJR Nabisco's Asian-Pacific businesses.

The deal gives each side a half share in four biscuits and snacks companies, representing $192m of turnover in New Zealand, Singapore, Malaysia and Hong Kong, boosting their combined annual sales in the region to $400m.

It is the first significant push into the area for BSN, which until now has concentrated mainly on building European dominance in its main product areas: groceries, biscuits, mineral water, champagne, beer and dairy products.

BSN, meanwhile, announced a FFr100m ($17.4m) plan to start making Danone and Gervais yoghurt, cheese and desserts in East Germany and to build up its existing presence in Hungary.

The Nabisco deal brings with it Griffin Group, New Zealand's largest supplier of biscuits, salted snacks, confectionery and salad dressings. Griffin, with annual sales of $120m, is by far the largest component of the deal.

The rest includes Peerless Foods, Singapore's second supplier of biscuits and salted snacks, Nabisco Brands Malaysia, that country's top biscuits producer, and Nabisco Brands Hong Kong. Planters and Olé nuts and snacks and Kellogg's breakfast cereals are among the brand names in the deal.

Mr Antoine Riboud, BSN's chairman, estimates the deal is priced at 12 times earnings.

The Nabisco deal is a huge boost for Mr Pillai's Britannia Industries, India's largest biscuit maker. Mr Pillai was Nabisco's area president for Asia, Pacific and Africa until last summer. He sold a large stake in his empire to France's top food group in January, to help repay borrowings he had incurred to buy out the controlling stake which Nabisco once held in Britannia.

"These companies are all about market dominance in what is the fastest growing market in the world for the food industry," said Mr Pillai. "It's very exciting after all this uncertainty to have ownership," he added.

All existing management will stay in place under Mr Pillai as chief executive of Britannia Brands – the jointly-owned bid vehicle – and Mr Claude Le Gouis, the managing director of BSN's Asia Pacific branch.

Scania picks France for truck plant

By William Dawkins in Paris

SAAB-SCANIA, the Swedish automotive and aerospace group, is to open a FFr1.7bn ($296m) truck-making plant in western France, on the site formerly earmarked by Japan's Subaru for an aborted project to make four-wheel-drive cars for the European market.

The Saab-Scania project is another link-up between France and the Swedish motor industry following last month's alliance between Renault and Volvo. It will create 1,500 jobs and produce 60 trucks a day within four years at a disused plant in Angers on the Loire river, formerly owned by International Harvester, the farm machinery group.

Saab-Scania's choice, against alternatives in Britain and northern Spain, is all the more welcome to the French Government after the loss of the smaller Subaru deal.

Fuji Heavy Industry, the Japanese industrial company which makes Subaru cars, started negotiating for the site nearly two years ago, encouraged by the city authorities, but dropped its plans last summer.

The Paris Government was initially cautious, as it is with all its relations with the Japanese car industry. But by the time it decided to welcome the Subaru deal, the Japanese company was obliged to withdraw, due to a sudden fall in its own profits.

Mr Roger Fauroux, the Industry Minister, agreed the Swedish project last month at a meeting in Paris with Mr Leif Ostling, the general manager of the Swedish company's Scania truck division.

A ministry official said this was fresh proof of France's increasing openness, following last December's relaxation of controls on foreign investment. "We are always glad to welcome foreign partners, so long as they are fair partners," he said.

It is understood that the availability of the empty 50,000 sq metre factory was a factor. Saab-Scania has also been offered FFr200m of government aid, just beneath the limit of 17 per cent of a project's cost set by the European Community's aid code for the automotive industry. Saab-Scania aims to start producing 30 trucks a day with an initial workforce of 500.

The plant will produce engines and cabins, and carry out final assembly. Between 70 per cent and 80 per cent of the trucks are to be exported.

John Griffiths adds: Mr Fauroux's disclosure that Angers is the final choice of site for the project appeared to take Scania itself by surprise yesterday.

The company said: "No final decision has been taken." However, it is understood that Scania had been planning to announce the Angers decision itself within the next few days, and Mr Fauroux appears to have merely "jumped the gun."

Fall into red sends BNL shares down 5%

By Haig Simonian in Milan

SHARES in Banca Nazionale del Lavoro (BNL), Italy's biggest state-owned bank, fell by 5.3 per cent yesterday following its disclosure of a loss of L498bn ($396m) for 1989.

The loss compares with a net profit of L105bn in 1988, and follows the financial irregularities discovered at its Atlanta branch last August.

BNL has been forced to roll over the dividend on its outstanding savings shares for at least a year. Yesterday these closed L650 lower at L11,600.

The Atlanta affair lies behind BNL's decision to make a L232bn provision on its loans to less developed countries (LDCs). Earnings were also hit by a L416bn write-down on its securities portfolio. The bank has now covered more than 50 per cent of its LDC exposure against 26 per cent in 1988.

Despite last year's problems, which stemmed from the issue of some $3bn of unauthorised letters of credit to Iraq, BNL said its underlying banking business remained healthy. Pre-tax operating income rose by 17 per cent to L698bn, or by 44 per cent to L559bn excluding extraordinary items.

Interest income climbed by 12 per cent to L1,696bn, while fee earnings rose by a more modest 6.2 per cent to L2,550bn. The bank reported a fall in operating costs, but did not give details beyond stating that its workforce fell by 874 to 21,080 at the end of last year.

Group total assets rose by 11 per cent to L123,283bn.

Meanwhile, BNL's board has approved a change in its statutes designed to give it the character of a public limited company while retaining a dominant role for the state.

The new proposals, which have to be approved by an extraordinary shareholders' meeting next month, mean a reorganisation of responsibilities and the inclusion of probably two new senior executives.

SCA buys 5% of German paper maker

SVENSKA Cellulosa (SCA), one of Sweden's biggest paper companies, has taken a 5 per cent stake in the West German munitions-to-paper manufacturer Feldmühle Nobel, Reuter reports.

SCA said it was working with a group of Feldmühle Nobel shareholders who together control more than 20 per cent of the German company's capital.

It said it had presented Veba, the West German energy group which controls more than 50 per cent of Feldmühle, with a concept for close co-operation between SCA and Feldmühle AG, Feldmühle Nobel's paper-making division.

Storebrand back in the black

By Karen Fossli

STOREBRAND, one of Norway's top three insurance companies, bounced back into the black in 1989 after two years of losses and is proposing to restore a dividend, of NKr2.40 a share.

Profits, excluding those from life insurance, before extraordinary income and allocations and after losses, reached NKr850m ($129m) in 1989 against losses of NKr529m.

Mr Jan Erik Langangen, president, attributed the good result to a substantial improvement in domestic insurance business, partly because of mild weather and the occurrence of fewer accidents, although every profit centre and prime business area had experienced improvements.

Mr Langangen said that the prospects for this year looked good. Costs had been sharply cut and losses at Storebrand Finans, the group's troubled finance division, were reduced to NKr119m in 1989 from NKr353m in 1988. A reduction in finance activities continued according to plan, and assets had been halved to NKr4.85bn.

The company has been undergoing a two-year consolidation programme which has cut work-years by 812 in the period. A moratorium on external recruiting is in force.

Group investment income reached NKr1.18bn in 1989, against NKr927m in 1988. Realised capital gains increased to NKr351m from NKr194m.

● Orkla Borregaard, the large Norwegian industrial and investment group, increased profits before extraordinary items by 32 per cent to NKr667m ($102m) in 1989, helped considerably by realised profits of NKr321m on the sale of securities, rental properties and shipping interests.

Group operating revenue in 1989 was NKr7.58bn, the same as in the previous year. Operating profit rose 10 per cent to NKr525m, while the group's operating margin improved to 6.9 per cent from 6.3 per cent.

Industrial activities experienced an 11 per cent rise in profits, before extraordinary items, to NKr502m. Orkla said the improvement was due to capital rationalisation and a positive operations cashflow.

NEWS IN BRIEF

Deutsche Bank chief takes role at Daimler

MR HILMAR Kopper, chairman of Deutsche Bank, has been chosen as the new supervisory board chairman of Daimler-Benz, according to the West German industrial group, AP-DJ reports.

Mr Kopper succeeds Mr Alfred Herrhausen, the former Deutsche Bank chief who was killed in a terrorist attack on November 30.

Deutsche Bank owns 28 per cent of Daimler-Benz, and the post of supervisory board chairman has usually been reserved for a top official from West Germany's largest bank.

■ Lindt & Sprüngli, the Swiss quality chocolate company, posted a 26.4 per cent increase in 1989 net earnings to SFr20.6m ($13.7m) and said it planned to raise its payout to shareholders for the fifth consecutive year.

The dividend will advance from SFr150 to SFr165 per share and from SFr15 to SFr16.50 per participation certificate. Consolidated sales climbed 12.6 per cent to SFr897m. Cash flow, at SFr63.4m, was ahead by 4.2 per cent.

Last year Lindt & Sprüngli opened a new production unit in the US, to which it is looking for a substantial increase in sales. In 1988 some 75 per cent of turnover was effected in France, West Germany and Switzerland.

■ Holderbank, the Swiss cement producer, has completed the consolidation of its North American interests under Holman, its US holding company. Holman's shares will be traded on the New York stock exchange from today, writes William Dullforce in Geneva.

The minority shareholders in Ideal Basic Industries, Denver, Colorado, approved on Wednesday a one-for-four offer of Holman shares and the merger with Holman. Holderbank already held 67 per cent of Ideal Basic stock.

Holderbank Financière Glaris in Switzerland now owns 87.2 per cent of Holman, the rest being held by the former shareholders of Ideal.

Icahn forces USX to put steel spin-off plan to vote

By Roderick Oram in New York

USX, under pressure from Mr Carl Icahn, the New York investor who has stalked the energy and steel group for over three years, has agreed to put the future of its steel business to a shareholder vote at its annual meeting next month.

The resolution proposed by Mr Icahn calls on USX to spin off its steel operations – the historic US Steel core of the group – by giving USX shareholders shares in a new steel entity as a special dividend.

USX said it was opposed to the non-binding motion, but it would consider the result of the vote when it determined the future of the corporation.

Mr Icahn and his investor group, which has a 13.3 per cent stake in USX, intends "to engage in an intensive campaign" and to spend between $5m and $10m to win votes for the spin-off, the group said in a filing with the Securities and Exchange Commission.

"I think a majority of institutional investors will vote for the spin-off," said Mr David Fleischer, an analyst with Prudential Bache Securities. Shares in the two parts of USX were likely to trade at a higher price than those in an undivided USX, he added.

The steel business has an asset value of around $4bn and the resolution calls for it to carry a maximum of $1.5bn of debt in a spin-off. Thus, with a net worth of around $2.5bn, it would trade for about $10 a share. The remaining energy assets would trade in the mid-$30 range, for a combined total in the mid-$40s. USX stock rose $¼ to $36½ yesterday morning.

The steel business generated operating profits of $430m on revenues of $5.73bn last year, down from $501m on $5.81bn in 1988. The US steel industry turned into a cyclical downturn last year and analysts expect poorer results this year.

Mr Charles Corry, who took over as chairman of USX last year, has made clear on many occasions that he has no strong commitment to the steel business. He believes USX's energy interests, bought in a diversification binge in the 1980s, show more promise for growth. They turned in operating profits of $862m on revenues of $$11.2bn last year, up from $506m on $9bn a year earlier.

Wall Street has been wondering for months how Mr Icahn would try to realise his investment in USX stock. He launched an abortive $31 a share, $7.1bn bid for USX in 1986 and has since found no way to impose his restructuring ideas on the company.

Sandvik shows modest 2% rise

By Robert Taylor in Stockholm

SANDVIK, the Swedish cemented carbide and special steels group, yesterday reported a modest 2 per cent increase in profits (after financial items) last year from SKr2.81bn ($455m) to SKr2.87bn.

Sales rose 14 per cent in 1989 to SKr18.77bn from SKr16.41bn. The board is proposing an increase in the dividend to SKr7.50 from SKr6 a share.

Sandvik said its sales growth would be held to about 5 per cent this year, and earnings should be of the "same order of magnitude" as those recorded last year. But the group admitted it was difficult to accurately predict what would happen because of the uncertainties in the Swedish economy and the signs of a weakening North American market.

The group said that the fall in nickel prices had pushed down its 1989 profits by SKr100m in the last quarter.

However, Sandvik benefited from strong demand for its capital equipment products in central Europe and Japan, and orders rose 8 per cent in 1989 from SKr17.44bn to SKr18.9bn.

Steel division sales rose 21 per cent last year to SKr6.48bn from SKr5.33bn, but profits after financial items fell to SKr420m from SKr677m.

Sales in the cemented carbide division increased 11 per cent to SKr9.64bn from SKr8.69bn, bringing a modest rise in profits (after financial items) to SKr1.77bn from SKr1.56bn.

There was 17 per cent growth in process systems sales, to SKr902m from SKr769m. But the saws and tools division managed sales growth of only 1 per cent last year to SKr1.48bn from SKr1.46bn, and profits after financial items fell to SKr76m from SKr123m.

Price war slices 69% off Avesta profits

By John Burton in Stockholm

AVESTA, the Swedish stainless steel group, reported a 69 per cent slide in profits after financial items to SKr406m ($66m) in 1989 from SKr1.3bn. The company was buffeted by a price-cutting war and falling stock values.

Turnover increased by 23 per cent to SKr9.45bn, despite a 5 per cent decline in sales volume. The dividend is unchanged at SKr1.50 a share.

Falling nickel prices reduced the value of Avesta's stocks by SKr140m after their value climbed SKr530m in 1988. Excluding stock valuation changes, profits fell 30 per cent to SKr546m from SKr789m.

Orders surged for Avesta in late 1988, as companies built up stockpiles in anticipation of stainless steel prices rising due to higher nickel prices. But when those prices fell last spring, companies began cutting their inventories, weakening market demand and forcing stainless steel producers to reduce profit margins.

Avesta predicted a further profit fall in 1990.

INTERNATIONAL COMPANIES AND FINANCE

MHI gives Boeing assurance over talks

By Stefan Wagstyl in Tokyo

MITSUBISHI Heavy Industries (MHI), the Japanese engineering group which together with other Mitsubishi companies has started talks on possible collaboration with West Germany's Daimler-Benz, has told Boeing, the US aircraft maker, that the discussions will not disrupt their business relations.

Boeing, which is a big buyer of parts from MHI, asked for an assurance earlier this week after the announcement of talks between four companies in the Mitsubishi industrial grouping and Daimler-Benz.

MHI said yesterday that Boeing's request had come during the course of normal contact between the two groups.

MHI makes parts for the Boeing 747 and is in charge of production of the rear fuselage and doors for the Boeing 767. The group's commercial aicraft operation accounted for Y15bn ($99.3m) in sales or 1 per cent of total turnover. Some 90 per cent of its aircraft sales are military.

However, Boeing has been steadily increasing the scale of Japanese companies' involvement in its production – it invited MHI and others to join in the manufacture of a 150-seater aircraft code-named the 7J7, a project which has since been shelved, and is currently discussing collaboration over a much bigger project – the 767-X, a 300-350 seater expanded version of the 767.

The Mitsubishi partners have said that talks with Daimler-Benz will be wide ranging. But Japanese and other commentators believe the companies' chief hope is to collaborate in aerospace.

Japanese companies value the Boeing business but want to play a role in the development of aircraft and the manufacture of key parts. One attraction of Daimler-Benz as a partner is that it is a member of the consortium controlling the European Airbus.

BIL advances 7% despite difficult financial climate

By Terry Hall in Wellington

BRIERLEY Investments (BIL), the New Zealand investment company, yesterday announced a 7 per cent rise in after-tax earnings to NZ$188.21m (US$110.8m) for the six months to September 30 last year, with Mr Bruce Hancox, chairman, emphasising the underlying quality of the result.

He said a big cut in debt levels led to a fall in funding costs and overheads to NZ$139m from NZ$399m, in spite of rising international interest rates. The group's emphasis on retaining high liquidity meant it had NZ$2bn in cash and uncommitted undrawn credit and the quality of the international equity portfolio had improved.

Mr Hancox said the present troubled environment was traditionally the best time for BIL to take advantage of investment opportunities. "However we have never faced a more difficult financial climate which is highlighted by the collapse of the international junk market and the failure of the US savings and loan industry to spend on corporate financial collapses in Australia.

"This is a clear message to be prudent, and to manage existing investments in a positive but aggressive manner."

Mr Hancox, at his first briefing as chairman after the retirement of Sir Ron Brierley, emphasised that there was no change of direction or philosophy. He said Sir Ron remained deeply involved and was at present in London handling the bid to make Vickers a better performing stock for all its shareholders.

"We give value to our shareholders: we want Vickers to do so too," he said arguing in favour of resolutions to be submitted at the coming meeting which "will see Rolls Royce have a separate listing."

He said BIL was convinced the shareholdings in Vickers, and the contested 15 per cent Cummins Engineering investment in the US were worth more than BIL had originally paid. "We will not be deterred by unwarranted and frivolous scaremongering attacks from implementing our investment policies."

The company said BIL regarded the increase in its investment in Mount Charlotte, the UK hotel group, to 28 per cent as an excellent long term one.

Commenting on rumours that it was considering selling its investment in TKM, the UK offshoot, it said that TKM continued to perform above expectations and was developing in global importance, including Australia.

BIL's philosophy was to only dispose of mature assets that had reached full strategic value.

Mr Hancox said there would be no big changes in BIL during the next 12 months. The clear objective was to buy assets in the UK and the US, and Mr Hancox said it would also look more to Australia "where we can attack the equity market and make a better job of it."

Mr Hancox also described the result of Industrial Equity Pacific at HK$854m (US$109.2m), slightly below last year's HK$893m as also a "better quality result." Its UK-based car offshoot performed well, contributing a profit of HK$455m.

BIL's turnover was NZ$5.06m against NZ$6.46m and operating profit NZ$5.06m, compared with NZ$6.46m. Tax was NZ$73.57m against NZ$84.35m. An interim dividend of 4.5 cents is proposed compared with 5 cents last time.

Hang Seng Bank lifts profits

By John Elliott in Hong Kong

HANG SENG Bank, a quoted subsidiary of Hongkong Banking Corporation and operator of the colony's largest retail branch network, yesterday reported consolidated profits after tax and undisclosed transfers to inner reserves, of HK$1.82bn (US$232m).

This was 18.5 per cent above the 1988 figure of HK$1.54bn and follows a trend set by the Bank of East Asia. The Hongkong and Shanghai publishes its results next week when it is thought it may break with tradition and release details of its inner reserves.

At the end of last year, the Hang Seng group's total assets stood at HK$175.52bn against HK$129.67bn a year earlier. A property revaluation last year revealed a consolidated surplus of HK$4.73bn.

The bank plans to transfer HK$330m to general reserves and to pay a final dividend of 98 cents a share making a total of HK$1.20 for the year. Total distribution for the year represents an effective 20 per cent increase over 1988 when a one-for-five scrip issue last April is taken into account. A further one-for-five bonus issue is being proposed.

Wardley Holdings, the Hongkong and Shanghai's merchant banking arm, yesterday announced a 10 per cent increase in net profits to HK$521.7m against HK$473.2m in 1988. A dividend of HK$370m is due to the parent company.

● Hongkong Land Holdings, a subsidiary of the Jardine Matheson with property assets concentrated in the colony, yesterday announced that it is seeking property developments in Bangkok. It has agreed to form a joint venture company in Thailand called Land One with Italthai Holding and Finance One. Each partner will have a one-third stake.

Asatsu sets its sights overseas

Alice Rawsthorn looks at an expanding Japanese advertising agency

Dotted among the neon signs of the department stores and office blocks in the Ginza district of Tokyo are a dozen or so offices bearing the blue arrow of Asatsu, Japan's only publicly quoted advertising agency.

In the 1980s Asatsu emerged as one of the fastest growing Japanese agencies. It is setting its sights on a wider arena in the 1990s by venturing beyond Japan into the international advertising industry.

Asatsu is negotiating with Omnicom, the big US marketing group, to turn its small stake in the US company into a significant minority shareholding. If Asatsu succeeds, it will become the first Japanese advertising agency to make a significant investment in a western marketing group.

Until recently the Japanese agencies have concentrated on their domestic market. They are now becoming more ambitious about overseas expansion. Dentsu and Hakuhodo, the largest players in Japanese advertising, recently announced plans to become more active overseas. Tokyu and Daiko – which are said to be considering going public – could follow suit.

The Japanese advertising market – the second largest in the world after the US – has been extraordinarily buoyant in recent years. Yet at a time when US and UK agencies were enveloped in acquisitions to establish networks in other countries, the Japanese limited their international activities to modest joint ventures with western agencies, mostly operating only in Japan.

Asatsu was no exception. It has grown at a rapid rate since its formation in the 1950s to become Japan's fifth biggest advertising agency with billings of Y112.4bn ($750m) last year. It made pre-tax profits of Y3.8bn on sales of Y96.3bn in 1988. Yet it makes less than 1 per cent of its billings outside Japan.

Asatsu is linked to a western agency through the joint venture it formed with BBDO, the US agency, six years ago. Under the terms of their agreement BBDO took 10 per cent of Asatsu's shares and the Japanese agency held a small stake in its US partner. This stake turned into a 1.5 per cent holding in Omnicom when BBDO merged with Doyle Dane Bernbach and DDB:Needham two years ago.

In theory the liaison with BBDO should have enabled Asatsu to establish an international presence. In practice the main benefit is that it has offered an *entrée* to international companies coming into Japan – such as Mercedes-Benz of West Germany and Dunhill of the UK – rather than involving Asatsu in international campaigns.

Asatsu is now determined to increase its interests outside Japan. One reason is that the idiosyncratic structure of the Japanese advertising industry – and the power of Dentsu and Hakuhodo – makes it difficult for other agencies, such as Asatsu, to expand in the domestic market.

Advertising expenditure in Japan

Dentsu and Hakuhodo are responsible for 24 and 10 per cent of all Japanese advertising expenditure. The sheer scale of their media buying power – combined with their political influence – means that they almost always command the best spots on television and the best spaces in the press. They also dominate the market for programme sponsorship.

This makes it difficult for other agencies to gain access to the media. Asatsu has tackled this problem by developing an expertise in cartoons and in sales promotion. As a result it became the fastest growing agency in the Japanese top 10 during the 1980s. But its market share – at 4 per cent – is still far lower than that of Dentsu and Hakuhodo.

Moreover the Japanese advertising market is becoming increasingly competitive. The western agencies are becoming more active in Japan. Ogilvy & Mather, part of the UK's WPP Group, and FCB:Publicis, the partnership between Foote Cone & Belding of the US and Publicis of France, intend to invest there. The Japanese trading houses, the *sogo shosha*, are also becoming a new source of competition in advertising.

The obvious solution for Asatsu is to seek growth overseas. It is already extending its interests in Asia. It has offices in Hong Kong and South Korea and last summer it took control of CAM in Singapore and acquired a minority interest in Thai Image of Thailand. It is now awaiting government approval for a joint venture in Taiwan and is considering expansion into Indonesia and Malaysia.

But the Asian advertising market is tiny, when compared with North America and Europe.

Asatsu is dubious about the logic of actually acquiring a western agency. "Advertising is a business dominated by people and social structures," Mr Masao Inagaki, president of the company, said. "Western agencies should be run by western companies and Asian agencies by Asian companies."

Instead Asatsu hopes to strengthen its links with BBDO by increasing its stake in Omnicom. Last autumn Omnicom completed the process, begun by BBDO, of selling its shares in Asatsu. The Japanese agency then began negotiations to increase its holding in Omnicom.

Mr Inagaki insists that Asatsu will not proceed without Omnicom's agreement. Like all Japanese companies Asatsu is anxious to avoid a repetition of the ill-feeling that accompanied Sony's acquisition of Columbia last year. Asatsu believes that such sentiment would be especially damaging in a people-oriented industry such as advertising.

All Omnicom will say is that its relationship with Asatsu is "friendly and productive." But if all goes well, Asatsu – the company that led the Japanese agencies on to the Tokyo stock market – will lead them into the international advertising arena too.

ASATSU

Year	Billings	Net profit	Employees
1984	Y56.8bn	Y540m	540
1985	Y61.2bn	Y800m	583
1986	Y67.5bn	Y906m	617
1987	Y80.2bn	Y1293m	680
1988	Y96.3bn	Y1608m	755

Source: Asatsu

INTERNATIONAL COMPANIES AND FINANCE

Campeau to default on key loans

A STRUGGLE over the future of ailing Campeau Corp surfaced yesterday with the Canadian real estate and retailing group's decision to default on loans from two of its key creditors, writes Bernard Simon in Toronto.

The default gives the two lenders, Olympia & York Developments of Toronto and US shopping mall developer Edward J DeBartolo Corp, the right to sell, with nine days' notice, assets pledged as collateral for the loans. The collateral includes Campeau's stake in Ralphs, a large California supermarket chain.

Campeau said yesterday it is not making interest payments due on loans totalling US$705m from O&Y and DeBartolo.

The loans were originally negotiated to support Campeau's US department store unit, Federated Stores, which filed for protection from its creditors in January.

The payments owing, which came due last week but were deferred until Wednesday, total a relatively modest US$5.2m. Campeau said yesterday it was able to meet the obligations but wanted to defer them while working on a long-term business plan to include all creditors.

Campeau's decision to withhold the payments stemmed from the failure to reach agreement with DeBartolo on a further deferral. While terms were agreed with O&Y, DeBartolo has insisted on a shorter deferral than the company was willing to concede.

With its loans secured by the Ralphs equity, DeBartolo appears to feel it is in a stronger position than O&Y to demand interest payments. Although the O&Y loans on which Campeau has defaulted are secured by real estate, the Toronto developer has a wider involvement with Campeau, including a 10 per cent equity interest and about US$360m in unsecured loans.

On the other hand, the Ralphs shares are owned by a Federated holding company. DeBartolo would need to go through a US bankruptcy court to seize them. Campeau said it expected to continue talks with O&Y and DeBartolo. The company needs to lighten its debt load appreciably if it is to survive.

Nationalism rising in regulation

Bernard Simon examines the Canadian obstacles facing British Gas

The hurdles which British Gas must overcome to finalise its proposed C$1.1bn (US$932m) purchase of Consumers Gas of Toronto are reflected in a flurry of political opposition to the deal and a lukewarm reaction in the investment community.

The prospect of Canada's biggest gas distributor being taken over by a foreign company was quickly criticised by Canadian nationalists after the announcement of the Britgas offer on Wednesday. The critics pointed to growing foreign involvement in the Canadian energy industry, especially in the wake of the US-Canada free trade agreement which is widely expected to lead to closer integration of the two North American economies.

Mr David Peterson, premier of Ontario, whose Government has a veto over the takeover, said while he was unwilling to comment on the specifics of the Britgas offer, "in general terms I'm not in favour of foreign takeovers."

On the Toronto stock exchange, Consumers Gas shares were trading yesterday well below Britgas's offer of C$34 a share. At mid-morning the shares were bid at C$31.13. Mr Robert Hastings, utilities analyst at Richardson Greenshields in Toronto, said the gap reflects concern at possible delays as the bid wends its way through the regulatory process, and the risk that Britgas may have to change the terms of the offer to meet regulatory conditions.

Britgas estimates that its offer is 12.2 times Consumers' expected earnings and about 1.7 times book value. The purchase price will be adjusted upwards if Consumers succeeds in current efforts to dispose of two non-utility businesses, a chain of nursing and retirement homes, and its exploration and development arm, Telesis Oil & Gas. Telesis supplies about 2 per cent of its gas, and is also a small oil producer (production last year was a modest 263,000 barrels).

Britgas needs to cross two main regulatory hurdles in Canada. A federal government agency, Investment Canada, screens all large foreign takeovers using the yardstick that the new investment must be of net benefit to the country. In line with the Progressive Conservative Government's policy of encouraging foreign capital, no investor has been turned away by the agency since it was formed five years ago. But imposing conditions on such matters as employment security and transfer of technology, has become routine in large, sensitive transactions.

Both Britgas and Consumers have indicated that they view access to the British company's research and development capability as a key benefit of the takeover. The Consumers deal will also be scrutinised by the Ontario Energy Board, which reports to the Ontario Government.

An official of the board said yesterday that it will hold public hearings on the Britgas purchase and will consult a wide range of interest groups, including Consumers Gas employees, local communities, investors and other companies doing business with Consumers. The board provides financial assistance to interest groups which would not otherwise be able to afford representation at its hearings.

The OEB hearings, in particular, are likely to be time-consuming. The board submitted a report in January on a less controversial application, involving a buyer in British Columbia, submitted last August. The Government has yet to announce its decision.

Both Britgas and Consumers' present controlling shareholder, GW Utilities, have the right to terminate the transaction if regulatory approvals are not received by Dec 31. Consumers' service area includes the most prosperous part of Canada, including Toronto and Lake Ontario. The company has added 90,000 new customers in the past two years, bringing the total to a little over 1m. Natural gas has become an increasingly popular fuel in recent years.

The buoyant growth of the southern Ontario economy has pushed Consumers' earnings steadily upward. Net income climbed by 7 per cent to C$102.8m, or C$2.82 a share, in the year ended September 30 1989 on revenues of C$1.8bn. But Mr Hastings expects earnings to fall back to C$2.75 per share in the present year.

Consumers' business has been partly deregulated in the past five years. Customers can now buy gas from whatever source they please, a route taken by about 450 of Consumers' biggest customers, accounting for about 35 per cent of its total deliveries, while the company continues to have a monopoly on delivering the gas within its service area.

Exxon rejects environment plans

By Roderick Oram in New York

EXXON urged shareholders yesterday to vote against six proposals on environmental issues which appear in proxy materials for its April 23 annual meeting.

The proposals, stemming from Exxon's Alaskan oil spill last year, seek to make the world's largest energy company more accountable for its environmental record.

Exxon's opposition to the proposals, laid out in the proxy materials, rests on its belief that its policies and practices already address or are superior to the actions urged.

Five of the proxy demands cover a wide range of environmental issues while the sixth is a vote to endorse the Valdez Principles, a 10-point environmental code for corporations published last September by a coalition of US environmental groups.

Exxon advised shareholders to vote against the principles because "over many years the corporation has developed a wide range of management practices which are designed to achieve this broadly stated objective," it said in the proxy statement.

Activists had tried to submit the principles to shareholder votes at 22 companies during the coming annual meeting season, according to Mr Doug Cogan of the Investor Responsibility Research Centre, a Washington organisation that tracks shareholder issues for 400 institutional investors.

Of the 22, 12 companies agreed to make the environmental reports called for in the principles so the proxy vote was withdrawn. The proxy material was rejected by the Securities and Exchange Commission for five other companies for technical reasons.

Shareholders will vote on the principles at the five remaining companies – Exxon, Arco, Kerr-McGee, American Express and Union Pacific.

"Many companies find it hard to disagree with many of the principles espoused in the Valdez document," said Mr Cogan. They are loosely worded and embrace uncontroversial ideas. The first, for example, calls on companies to "minimise and strive to eliminate the release of any pollutant that may cause environmental damage."

Companies have resisted the ninth and tenth principles. One calls for the election to a company's board "a person qualified to represent environmental interests." The other for publication of an annual review by the company of its progress in implementing the principles and meeting environmental laws.

Shearson to lay off more

By Janet Bush in New York

SHEARSON Lehman Hutton, the troubled Wall Street securities house, said yesterday it was laying off around 18 per cent of its investment banking staff.

The latest redundancies come only a week after the company said it would reduce its 35,500 staff by at least 2,000 and aimed to achieve these job cuts this month.

American Express, which owns 61 per cent of the Wall Street house, has poured $1.35bn into its brokerage subsidiary over the past two months and last Sunday said it would buy back all publicly held shares of Shearson.

Cuts in Shearson's investment banking staff are extensive. Around 120 of its 750 professionals are losing their jobs as well as around 70 out of 350 support staff.

Hilton shares fall 20% after sale abandoned

By Anatole Kaletsky in New York

HILTON Hotels shares plunged almost 20 per cent at the start of trading yesterday morning as Wall Street reacted to Wednesday night's announcement the hotel and gaming company was no longer for sale.

Hilton's directors said they were abandoning the auction process which they had launched last August because of the disappointing level of bids received.

When Hilton put itself up for sale last summer, its shares jumped from $80 to more than $100 and Wall Street analysts were almost unanimous in projecting takeover values of $120 or more. These estimates implied a value of $6bn for the group's 270 hotels and three Nevada casinos.

However, after yesterday morning's fall of $11⅛, Hilton shares were back to $49⅞, almost exactly where they were a year ago before the bid speculation started. At this level, the stock market puts a value of only $2.4bn on Hilton's many prestigious properties and brand name.

Mr Barron Hilton, the company's chairman, blamed the low level of bidding for Hilton on the deterioration in the global environment for property deals.

"At the time we began the exploration process, the world economy, the market for acquisition financing and the investment climate for real estate and hotels were each far stronger than they are today. The significant adverse developments in each of these areas were reflected in the acquisition proposals we received," he said.

Wall Street analysts said Hilton's takeover hopes had been undermined by the collapse of the US junk bond market and the shying away of Japanese investors from high-profile acquisitions in the US.

According to people involved in the transaction, Mr Hilton believed that the best deal on offer, which came from JMB Realty, a Chicago-based property management group, and was said to be worth less than $75 a share, was too low to justify selling the company.

Apple in new Mac launch

By Louise Kehoe in San Francisco

APPLE Computer is planning to launch a high-performance model of its Macintosh personal computer this month, along with software upgrades.

The new products should strengthen its competitive position at the top end of the personal computer market and enhance its opportunities in the lucrative US government market.

The company has recently been plagued by negative reports of management turmoil, with two of its top executives resigning in the past four weeks.

Last month it also announced extensive cost cutting measures, including 400 layoffs following disappointing quarterly earnings.

The cuts appear to have created a serious morale problem among Apple employees. Resentment has been fuelled by reports of multi-million dollar hiring bonuses and "golden parachute payments" made to senior executives.

The new machine uses the latest, and fastest, version of Motorola's 68030, almost twice as fast as the chip used in Apple's current top of the line Macintosh.

K mart posts 3-month loss

K MART, the world's second largest retailing group after Sears, Roebuck, yesterday reported a slight increase in fourth-quarter earnings before a pre-tax restructuring charge brought down overall net income to show a three-month loss, writes Karen Zagor.

The net loss for the 14 weeks to January 31 was $20.5m or 10 cents a share, compared with net earnings of $393.2m or $1.96 in the 13-week fourth quarter of 1988.

The company took a $640m provision against fourth-quarter earnings in connection with a wide-ranging stores refurbishing plan. Excluding this charge, K mart said net profits in the latest quarter were essentially flat at $395.6m or $1.97. Sales in the 1989 quarter grew 16 per cent to $9.75bn from $8.42bn.

For the full year, K mart's net income dropped 60 per cent to $322.7m or $1.61 from $802.9m or $4 a year ago. Excluding the fourth quarter charge, net income in the latest year fell 7 per cent to $745.2m or $3.71 a share. Sales for the full year increased 8 per cent to $29.5bn from $27.3bn.

Gross margins were lower in 1989, at 26.4 per cent from 27.1 per cent the year before.

INTERNATIONAL CAPITAL MARKETS

EIB £100m issue meets with mixed reception

By Norma Cohen

NEW issue activity slowed yesterday, with market attention largely focused on a sterling-denominated issue for European Investment Bank.

The EIB launched a £100m eight-year Eurobond via Baring Brothers bearing a coupon of 13 per cent and is priced to yield 73 basis points over a composite eight-year gilt. The bonds pricing is an amalgam of the traditional fee structure and a fixed-price re-offering designed to give underwriters 20 basis points in fees.

By the close of trading yesterday, the seven-firm syndicate had not been broken but Baring Brothers said it believed managers had managed to sell one-third to one-half of their allotments. "We knew it was not the sort of issue designed to sell out in a day," said an official at Baring, who said he believed there was foreign demand for the deal.

Several co-managers, however, expressed frustration with the handling of the deal, saying that domestic interest, at least, was negligible. They also objected to the £10m ticket sizes, saying they had not been offered an opportunity to enter the deal with a smaller allotment. And while the spread on the securities appeared comfortable when compared against the secondary market, it was insufficient to encourage investors to switch out of seasoned paper.

In contrast, however, Baring also launched a £70m plain-vanilla convertible for Daily Mail and General Trust which is convertible into shares of Reuters. The securities carry a coupon of 8¾ per cent and a conversion premium of 16 per cent. Dealers said the issue was warmly received, with some investors said to be switching out of Reuters shares to buy the bonds. The bonds were offered at a ¼ point premium at yesterday's close.

Elsewhere a Pta15bn matador bond for EIB, launched on Wednesday, attracted strong demand from Spanish, Swiss and far eastern investors. The bonds carry the highest coupon of any matador bond to date and were trading inside fees at less 1¾ per cent.

In Switzerland, primary market prices improved still further, with all the recent issues trading well inside fees, with some issues trading around launch price. A SFr120m issue for Caisse Nationale des Autoroutes, for instance, was quoted at less ⅛ bid while a SFr125m issue for IBM was trading at a premium of ¼ point.

Two new issues were launched yesterday, the larger of which was a SFr100m five-year deal for LB Rheinland-Pfalz lead-managed by UBS. The deal carries a 7½ per cent coupon and is priced at 101¾.

While the deal was considered tightly priced, it traded comfortably inside fees around 1⅛ per cent bid.

In Sweden, Scandinavian Airlines launched the long-awaited initial tranche of a borrowing that may reach SKr1bn this year. Yesterday's deal consisted of a SKr200m 10-year offering bearing a coupon of 14 per cent and priced at 97½ to yield 14.48 per cent.

■ Kansai Electric Power will issue Y10bn in bonds domestically through a private placement, Reuter reports. An official for the group, Japan's second largest electric power supplier, said the coupon on the bonds, which mature on March 31, 2001, will be 6.8 per cent. Funds raised will be used for capital spending such as building transmission lines and laying cables, he said.

The company decided to issue bonds through private placement because it cost less for a small amount than through public placement, the official said.

He denied a press report that Kansai Electric gave up plans to issue bonds or new shares through public placement because of the recent weakness in the bond and stock markets and chose private placement instead.

Industrial Bank of Japan will allot the new bonds to four institutional investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
EIB(a)◆	100	13	99½	1998	1⅝/1¼	Baring Brothers
Daily Mail & Gen. Trust(b)§◆	70	8¾	100	2005	2½/1½	Baring Brothers
SWISS FRANCS						
LB Rheinland-Pfalz(a)◆	100	7½	101¾	1995	2⅛/1⅝	UBS
LKB Baden-W'berg(a)✩✩◆	75	7½	100¾	1995	1½	Credit Suisse
YEN						
C.Itoh Finance (Europe)(c)◆	8bn	(c)	101⅝	1994	1⅝/1¼	Nippon K.Kakumaru (Eur)

✩✩Private placement. §Convertible. ◆Final terms. a) Non-callable. b) Exchangeable into 'B' shares of Reuters Holdings. c) Coupon pays 25bp over 3-month Libor until June 1990, then 6.4% until end of 1992, 8% remainder.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8½ 95	750	†96½	96⅞	+0⅛	−0⅛	9.36
Alberta 9⅛ 95	600	100	100½	−0⅛	−0⅛	9.29
Austria 9½ 95	140	‡101	101½	−0⅛	−0⅛	9.13
B.F.C.E. 8⅞ 94	175	†96¾	97¼	+0⅛	−0⅛	9.17
B.F.C.E. 9¼ 95	150	†99⅝	99⅞	−0⅛	−0⅛	9.32
Brit. Tel. Fin. 9⅛ 98	250	†99⅝	99⅞	0	−0⅛	9.42
Canada 9 96	1000	99⅞	100⅛	0	−0⅛	8.97
C.C.C.E 9¼ 95	300	99⅞	100⅛	+0⅛	−0⅛	9.22
Cr.Local France 8⅞ 99	250	†96⅛	96⅝	+0⅛	0	9.42
Credit National 7⅞ 92	100	96⅝	97⅛	−0⅛	−0⅛	9.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	98⅞	99⅛	0	+0⅛	0.07
Canada 5⅝ 93	80	95⅞	95⅞	−0⅛	0	7.07
Cr.Local France 6⅛ 94	300	93⅝	93⅞	−0⅛	−0⅛	6.65
Denmark 6⅛ 95	300	93⅝	93⅞	−0⅛	−0⅛	6.67
E.I.B. 4⅝ 93	30	94⅝	94⅞	0	−0⅛	7.08
Norway 5⅛ 95	50	91⅞	92⅛	0	0	7.05
Sweden 4⅝ 93	50	92⅞	93⅛	−0⅛	−0⅛	7.15
World Bank 5⅛ 96	10	87⅛	87⅜	−0⅛	−0⅛	7.23
World Bank 7 94	20	99⅞	100⅛	−0⅛	−0⅛	6.95

Average price change... On day −0⅛ on week −0⅛

[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Omron Tateisi 2¾ 02 US	4/87	1310.	240½	241	−5⅛	−0.91
Ranks Hovis 4¾ 03 £	1/88	3.5	110⅛	111⅛	+0⅛	0.80
Redland 7¼ 02 £	†1/87	5.4	102	103	+0⅛	3.46
Saatchi&Sachi 6¾ 03 £	†10/89	4.41	61	61⅞	−0½	85.52
Silicon Graphics 8 04 US	6/89	23.18	142⅞	143⅞	+2	−0.88
Sumitomo Bank 3⅛ 04 US	2/89	3897.	71⅛	72⅜	+0⅛	14.17
Texas Inst. 2¾ 02 US	9/87	82.87	75⅛	76⅛	0	75.53
Utd.N'papers 8 04 £	10/89	8.77	123½	124½	+0⅛	213.22
W.R. Grace 6¼ 02 US	9/87	42.12	88⅞	89⅞	0	27.27

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

DG Bank buys back DM3bn of securities

By Andrew Fisher and Katharine Campbell in Frankfurt and George Graham in Paris

WEST Germany's Deutsche Genossenschaftsbank (DG Bank) has agreed to settle the DM6bn ($3.5bn) of disputed bond deals which led to an angry row with French banks, but stressed yesterday it would retain its legal right to possible compensation.

Mr Helmut Guthardt, chief executive of the West German bank, was at pains to assert that the agreement reached in Paris this week was not a climbdown.

DG Bank has bought back DM3bn of securities previously sold to the French and will keep a further DM3bn worth of bonds, the sale of which had been agreed on a forward basis.

Although DG Bank had technically completed the disputed deals, it had not admitted a legal obligation to do so. The securities bought back from the French, effective today, will be kept separately until the legal points have been resolved.

The bonds sold forward are still in the hands of DG Bank, the umbrella organisation for Germany's co-operative banks.

Mr Guthardt thus threw further light on the terse and opaque statement issued on Wednesday night.

This said technical settlement of the bond trades had been agreed, with both sides able to make any claims for legal compensation within 12 months.

The results of criminal investigations – into Mr Friedrich Steil, DG Bank's sacked chief bond dealer – would also be taken into account, DG Bank said.

The French contend that Mr Steil made verbal promises that the German bank would repurchase the securities. DG Bank denies it is liable under any such promises.

The French banks had threatened to sue DG Bank if it did not repurchase the bonds. Mr Guthardt said the agreement did not change its legal position.

"We believe we have legal claims. We believe our position is as good as it was before." He estimated that the value of the DM3bn of bonds sold for cash had fallen by some DM200m since the deals were entered into last year.

The terms of DG Bank's offer were first put to the three biggest of the French financial institutions involved: Banque Nationale de Paris, the largest state-owned bank, with DM1.125bn exposure, Caisse des Dépôts et Consignations, the giant state financial institution which manages savings bank deposits, with under DM1bn of exposure, and Crédit du Nord, subsidiary of the Paribas banking group.

These three banks had supplied cash to DG Bank against a deposit of bonds. These bonds will be taken back by DG Bank, with indemnities for the delay in completing some of the transactions.

Caisse des Dépôts is understood to have taken the lead in insisting that the same conditions should be applied to the other French banks, which had arranged forward transactions with DG Bank.

These six banks were Sogenal, the Alsatian subsidiary of Société Générale, Banque Louis Dreyfus, Banque Monétaire et Financière, Société Industrielle et Financière por l'Amérique du Sud, Viel Finance and GMF Banque.

Mr Patrick Combes, chairman of Viel Finance, had appeared on Wednesday not to accept the DG Bank proposals. Yesterday, however, he said that his concern was only to ensure equal treatment for all DG Bank's counterparties, and that this appeared to be offered.

Spanish put £2m into London firm

By David Lascelles, Banking Editor

MERCAPITAL, one of Spain's leading independent merchant banks, is to take a 25 per cent stake in Campbell Lutyens Hudson, a small London investment firm.

The investment, worth £2m, will be followed by further capital payments in the years ahead based on the firm's profitability.

Mercapital, which was formed five years ago, is 25 per cent owned by Compagnie Financière de Suez, the French industrial and financial group.

Campbell Lutyens Hudson, a two-year-old partnership of four corporate finance specialists, said the link would enable it to offer its clients a wider international service. The firm, whose capital is currently £0.5m, said yesterday it expected pre-tax profits for the year ending April 30 to be more than £700,000.

INTERNATIONAL CAPITAL MARKETS

Japanese contracts could 'overtake US equivalents'

By Andrew Freeman

JAPANESE index futures and options will soon be more actively traded than equivalent instruments on the US equity market, a report by James Capel, the UK broker, predicts. Increased use of index contracts on the Japanese market by foreign investors is expected to make them among the most liquid of the important global index products.

Currently, the S&P500 future is well ahead in volume terms of the two main Japanese index futures contracts, the Nikkei-225 and the Topix. However, if trading in the two Japanese contracts is combined, it overtakes S&P500 volume by a substantial margin.

The report examines differences between the Nikkei and Topix contracts, the use of which is expected to grow by at least 20 per cent in 1990.

On volume and turnover, the Nikkei has been the more liquid contract, but much of the trading is judged as cosmetic. The Capel analysts argue that up to 50 per cent of apparent volume can realistically be stripped out to account for cosmetic trading.

Arbitrage possibilities are frequently available for exploitation by professional investors both between the cash and futures on the Nikkei and between the two indices. Capel suggests that both the futures contracts trade at a discount to their fair value for long periods, offering excellent trading opportunities for international investors, particularly index funds.

While the Nikkei contract is more widely used, the different structures of the underlying indices mean some investors will find Topix more useful for hedging purposes.

The report also looks at the three index options contracts, the first of which was launched in June last year. That option on the Nikkei-225 has traded an average of around 65,000 contracts per day, while open interest has grown to more than 20,000 contracts.

US Treasuries track the dollar

By Janet Bush in New York

US Treasury bonds were quoted mixed at midsession with prices largely tracking movements in the dollar.

Short-dated maturities were generally quoted $\frac{1}{16}$ point lower while the Treasury's benchmark long bond stood $\frac{1}{16}$ point higher to yield 8.57 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	92-00	+04/32	12.34	12.68	12.40
		10.500	5/99	90-21	+04/32	12.20	11.90	11.30
		9.000	10/08	83-11	+01/32	11.14	10.90	10.38
US TREASURY *		8.500	02/00	99-16	+02/32	8.57	8.54	8.42
		8.500	02/20	99-10	+02/32	8.56	8.56	8.48
JAPAN	No 119	4.800	6/99	86.8069	+0.288	7.17	7.10	6.63
	No 2	5.700	3/07	91.0294	+0.144	6.84	6.70	6.29
GERMANY		7.125	12/99	89.1500	+0.620	8.81	8.89	7.92
FRANCE	BTAN	8.000	10/94	90.3990	+0.168	10.72	10.79	10.38
	OAT	8.125	5/99	87.9600	+0.510	10.18	10.27	9.81
CANADA *		9.250	12/98	90.8000	-0.400	10.80	10.67	10.04
NETHERLANDS		7.500	11/99	88.7500	+0.190	9.12	9.07	8.49
AUSTRALIA		12.000	7/99	92.7354	+0.388	13.37	13.41	12.74

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

At midsession, the dollar was quoted at Y150.85 and DM1.7010 compared with earlier highs of Y151.25 and DM1.7060. The focus of the market continues to be events on foreign exchanges. This week has seen heavy co-ordinated intervention by Group of Seven central banks.

Mr Manuel Johnson, vice chairman of the US Federal Reserve, said in Tokyo overnight that the Fed would not view a dollar depreciation from current levels as appropriate as it would threaten US price stability. The overall message appeared to be that there is little likelihood of lower interest rates in the US.

There was no major economic news yesterday and trading was cautious in advance of today's February employment report.

■ SENTIMENT improved on the German government bond market yesterday with active trading on both the cash and futures markets. Good early momentum took prices as much as ¾ point higher, before the gains were clipped at around ½ point across the board.

Traders reported a technical bounce as holders of short positions were squeezed out, but the early improvement lacked impetus. At the morning fixing the 7¼ per cent bund maturing 2000 was 64 pfennigs higher at 92.72 to yield 8.88 per cent, before closing around ½ point higher on the day.

■ In the DUTCH market, the Government opened the tap on its new guilder issue at a price of 98.80. As the wider market rose in line with Germany, investors were attracted to the issue which now stands at more than Fl 2.5bn.

■ The UK government bond market recorded small gains across the board, encouraged by the emergence of limited retail buying at the longer end of the maturity curve. Volume was modest as prices rose around ¼ point.

The 11¾ per cent gilt maturing 2003-07 was trading around 100.11 to yield 11.69 per cent.

Futures industry faces strong regulation

By Deborah Hargreaves in Boca Raton

THE futures industry is facing its greatest challenge this year in the form of increased regulation as Congress prepares to impose stricter oversight on futures in its bill to renew the authority of the industry's regulator, the Commodity Futures Trading Commission.

The industry is preparing for a battle to hold on to its closely-guarded jurisdiction over stock index products, preserve its margin levels and fight against a proposed transaction fee for futures.

At the industry' annual convention in Boca Raton, Florida, futures industry delegates are speaking against measures they claim could cut competitiveness.

The CFTC's proposed ban on dual trading is under fire from futures exchanges who believe it will cut liquidity on their trading floors.

Mr Karsten "Cash" Mahlmann, chairman of the Chicago Board of Trade, says a ban on dual trading would slash its volume by 7.5 per cent or 10m contracts.

"The CFTC decision has no basis in fact but is designed for political expediency," he said.

Another controversial issue facing the industry is President Bush's proposed imposition of an 11-cent transaction fee on futures which Mr Mahlmann reckons would net $50m in tax revenues from the exchange. The US futures industry lost 6 per cent of its business to overseas challengers last year, he said, and this will only be accelerated by a rise in costs in Chicago.

The most contentious issue faced by the industry is the question of an increase in futures margins to mirror those in place on securities exchanges. This is an old issue that has become a pet concern of Mr Nicholas Brady, US Treasury Secretary and is being pushed strongly by the Securities and Exchange Commission.

The futures exchanges will fight to keep control of margin levels, arguing that they are in line with what professional operators pay on stocks.

ECP investors turn fastidious

Norma Cohen on reaction to recent commercial paper defaults

The recent spate of defaults in the Euro commercial paper market is causing a big rethink of the business for investors and arrangers alike, with attention focusing increasingly on the quality of credits and their liquidity.

The defaults have also forced dealers, fiercely competing for an unprofitable business, to take a hard look at what their obligations are to investors and borrowers, and to consider whether they really want to be in that business.

Last December, Merrill Lynch, dealer on a large number of unrated and lower rated programmes, withdrew from the ECP business completely, citing the lack of profitability.

In the immediate fallout from the string of defaults, spreads on unrated and lower rated paper have widened on average by five basis points.

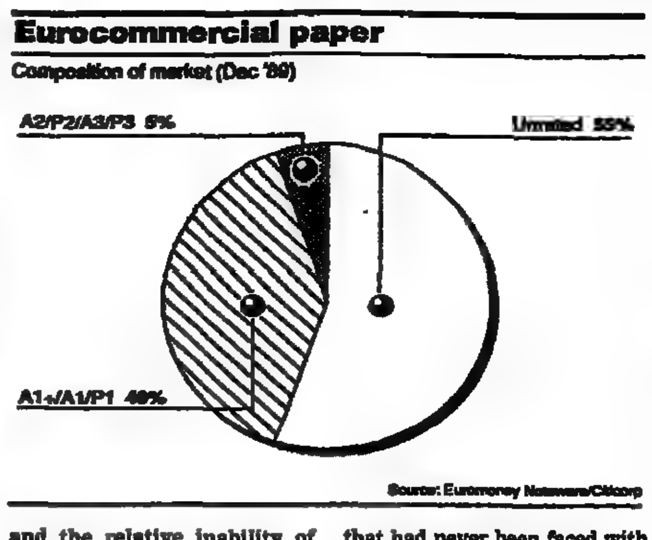
In addition to demanding higher yields, dealers report that investors are choosier about issuers. Mr Michael Niedzwiecki, head of Eurocommercial paper at Citicorp Investment Bank, said that investor appetite for unrated commercial paper – once 55 per cent of all ECP outstanding – has fallen sharply over the past few months.

About 70 per cent of all ECP now sold carries a top-flight A1 or P1 credit rating, he estimates, and investors are increasingly demanding that paper they buy carry ratings from both Moody's Investors Service and Standard & Poor's Corp.

Dealers privately concede that the wider spread on lower rated paper is still probably too small to compensate investors for the risks they are taking. That spreads have not widened further is a function of the intense competition between firms in the Eurobond market and the relative inability of investors to assess credit quality properly.

Eurocommercial paper

Composition of market (Dec '89)



Source: Euromoney Natwest/Citicorp

Just how fierce the competition has been can be seen from the number of dealers. In the US, there are 47 dealers to cope with CP outstandings of about $533bn, while in Europe, some 148 dealers are handling ECP outstandings of $60bn. In attempting to build up their business, dealers have been paring margins for borrowers to levels that simply do not reflect risk.

"We have gotten borrowers into this market in order to build it up," said Mr Michael Niedzwiecki, vice president at Citicorp Investment Bank. "We have an obligation to make sure that the rate at which we sell paper accurately reflects its credit quality."

The most recent default has been that of Drexel Burnham Lambert, whose unrated ECP programme had about $30.5m outstanding.

That was the fifth in a string of such defaults over the previous six months in a market that had never been faced with an occurrence of that type.

Significantly, in all cases of defaults on ECP, bank back-up lines of credit, intended to be used to redeem maturing securities if investors objected to a rollover, were withdrawn by lenders at the last minute. This prompted the default on the commercial paper.

This behaviour by lenders has prompted dealers, investors and credit rating agencies to take a hard look at those lines of credit and to question their value.

It has never been clear exactly what comfort those lines of credit were intended to produce.

Mr Tony Wilson, executive director in charge of short-term securities at Daiwa Europe, said that the back-up credit line is only intended to provide liquidity in the event of general disruption in the ECP market that prevents the sale of paper.

The credit lines are not, he said, intended to provide the issuer with a lender of last resort.

While terms of back-up credit lines vary widely, virtually all contain a "material adverse change" clause allowing the lender to suspend the credit if the borrower's financial condition deteriorates significantly.

However, the existence of those lines of credit has clearly been a source of comfort to investors. For instance, a Bank of England discussion paper on the ECP market published last year expressed concern about the exposure of commercial banks to the market, and made the assumption that they would step in to provide liquidity in the event of a default.

And credit rating agencies themselves have insisted on credit lines as a prerequisite for a rating.

However, the rating agencies are now urging investors not to place too much faith in those lines of credit. In an extensive report, Moody's recently expressed concern about the erosion in the predictability and reliability of bank funding sources for CP issuers. "As the markets for short-term instruments has grown, the provision of alternate liquidity has deteriorated," Moody's said.

In its report, Moody's said that the transition to transaction banking from relationship banking had reduced the loyalty of lenders to their clients. "It is somewhat more likely that relationship lenders will move to stabilise a company's liquidity position when arm's length investors and transaction-oriented investors have fled."

The rating agency suggests that investors learn more about the credit line behind the ECP programme when trying to evaluate risk.

Rolling settlement 'will delay Taurus'

By Andrew Freeman

ROLLING settlement is unlikely to be introduced to the UK equities market until late 1992 because it would divert resources from Taurus, the computerised payments project.

London's two-week account settlement system will remain until Taurus is implemented. Taurus is due to be brought to the institutional market before the end of 1991, with extension to the retail market scheduled for 1992.

Stock Exchange officials examining rolling settlement concluded its introduction would delay Taurus by at least six months.

Ten-day rolling settlement was planned for the middle of this year to keep the improvement of equity settlement in London up to the timetable recommended by the Group of Thirty.

Rating agencies see defaults

THE US' two top rating agencies predicted rising defaults of junk bond debt over the next three to five years, especially if interest rates increase sharply, Reuter reports.

Executives of Standard & Poor's and Moody's appeared before a House subcommittee.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Thursday March 8 1990.

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Mar 7 Index No.	Tue Mar 6 Index No.	Mon Mar 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (202)	854.40	+1.1	13.40	5.06	9.09	1.80	844.89	839.15	841.14	950.73
2	Building Materials (27)	1041.16	+1.4	15.11	5.43	8.25	0.50	1026.85	1025.09	1022.29	1201.33
3	Contracting, Construction (37)	1400.74	+0.9	17.54	5.68	7.47	3.69	1388.22	1394.80	1395.96	1751.26
4	Electricals (10)	2413.80	+1.3	12.41	5.37	9.84	0.75	2383.88	2317.73	2326.54	2784.45
5	Electronics (30)	1855.70	....	9.71	3.96	13.34	10.52	1856.66	1844.01	1862.89	2153.91
6	Engineering-Aerospace (8)	422.71	+1.8	14.30	5.22	8.58	0.04	415.39	409.55	412.48	0.00
7	Engineering-General (43)	464.11	+1.9	12.32	5.18	9.74	1.28	455.38	453.75	454.45	0.00
8	Metals and Metal Forming (6)	469.77	+0.3	25.08	6.55	4.50	0.00	468.22	464.20	467.91	537.40
9	Motors (16)	355.18	+1.5	14.61	6.11	8.09	0.00	350.07	348.09	348.45	318.84
10	Other Industrial Materials (25)	1561.17	+1.5	10.98	4.65	10.59	3.06	1538.09	1522.58	1520.29	1561.66
21	CONSUMER GROUP (177)	1210.43	+0.8	9.41	3.96	13.28	3.14	1200.60	1193.72	1205.13	1177.71
22	Brewers and Distillers (22)	1398.07	+0.8	9.99	3.76	12.35	6.57	1387.41	1369.31	1381.06	1324.82
25	Food Manufacturing (20)	1053.65	+1.4	10.29	4.38	12.09	1.70	1039.57	1033.34	1043.56	1039.94
26	Food Retailing (16)	2259.13	+1.2	8.98	3.36	14.45	6.99	2232.65	2224.62	2247.46	1991.83
27	Health and Household (13)	2396.82	+0.7	6.66	2.73	17.87	0.20	2379.53	2365.35	2385.64	2129.97
29	Leisure (31)	1463.29	+0.2	9.50	4.14	13.02	5.74	1461.00	1452.22	1474.66	1623.87
31	Packaging & Paper (13)	552.92	+0.4	12.71	5.62	9.94	0.90	550.56	549.84	553.17	602.14
32	Publishing & Printing (16)	3276.45	+0.4	9.88	5.35	12.97	21.20	3262.34	3274.63	3315.01	3735.41
34	Stores (33)	766.25	+0.7	11.33	4.88	11.49	1.78	760.89	758.40	763.85	763.88
35	Textiles (13)	496.39	+1.8	11.64	6.04	10.42	0.37	487.42	488.07	490.62	511.92
40	OTHER GROUPS (103)	1146.44	+0.6	10.82	4.93	11.07	1.57	1139.57	1136.42	1147.02	1076.91
41	Agencies (17)	1535.91	-0.1	5.87	2.43	20.98	9.20	1537.30	1528.43	1540.22	1317.05
42	Chemicals (22)	1190.16	+0.2	12.10	5.55	9.72	0.57	1187.98	1180.38	1185.67	1204.50
43	Conglomerates (13)	1611.77	+1.8	10.10	6.08	11.65	5.27	1582.98	1576.57	1579.80	1493.06
44	Transport (13)	2206.74	+0.1	11.04	4.35	11.53	2.88	2204.02	2208.55	2233.34	2375.32
46	Telephone Networks(2)	1153.78	....	11.01	4.44	11.82	0.00	1153.87	1152.51	1175.38	1150.60
47	Water(10)	1972.20	+0.4	17.67	6.87	6.27	0.00	1964.94	1961.90	1997.59	0.00
48	Miscellaneous (26)	1857.18	+1.1	9.70	4.43	11.63	1.11	1837.36	1832.99	1839.56	1486.96
49	INDUSTRIAL GROUP (482)	1115.50	+0.8	10.84	4.54	11.28	2.33	1106.37	1100.78	1109.28	1112.52
51	Oil & Gas (18)	2367.55	+1.1	10.26	5.09	12.87	31.87	2342.91	2329.59	2343.24	1958.53
59	500 SHARE INDEX (500)	1219.18	+0.9	10.76	4.65	11.49	4.59	1208.80	1202.59	1211.55	1184.49
61	FINANCIAL GROUP (114)	799.42	+0.7	–	5.58	–	5.62	793.53	791.10	793.44	748.14
62	Banks (9)	872.26	+0.2	19.29	6.30	6.78	13.93	870.52	869.21	868.51	734.77
65	Insurance (Life) (7)	1301.66	+2.1	–	5.10	–	0.00	1274.80	1263.62	1268.67	1044.18
66	Insurance (Composite) (7)	661.98	+1.5	–	6.00	–	0.00	652.15	646.62	644.30	598.84
67	Insurance (Brokers) (6)	1064.78	+0.2	6.92	5.92	19.23	0.73	1062.28	1061.69	1050.77	1014.90
68	Merchant Banks (8)	471.64	+0.1	–	3.82	–	0.04	471.28	476.53	482.30	346.59
69	Property (49)	1090.82	+0.6	8.32	3.96	15.20	1.39	1084.60	1080.15	1094.04	1322.55
70	Other Financial (28)	312.74	+0.9	13.87	6.79	9.51	2.30	309.86	311.15	315.05	383.06
71	Investment Trusts (68)	1150.94	+0.6	–	3.26	–	4.61	1143.73	1141.41	1142.12	1097.21
91	Overseas Traders (5)	1358.41	+0.8	9.50	6.75	12.75	30.79	1347.34	1341.81	1342.21	1386.55
99	ALL-SHARE INDEX (687)	1116.74	+0.8	–	4.74	–	4.90	1107.51	1102.28	1109.45	1078.48

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 7	Mar 6	Mar 5	Mar 2	Mar 1	Year ago
FT-SE 100 SHARE INDEX‡	2250.0	+19.7	2254.7	2240.8	2230.3	2216.0	2230.5	2254.8	2238.4	2075.9

FIXED INTEREST

	PRICE INDICES	Thu Mar 8	Day's change %	Wed Mar 7	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	113.64	+0.12	113.50	–	2.26
2	5-15 years	119.05	+0.11	118.92	–	2.41
3	Over 15 years	123.52	+0.07	123.44	–	3.35
4	Irredeemables	141.23	+0.18	140.98	–	1.51
5	All stocks	119.36	+0.11	119.23	–	2.51
	Index-Linked					
6	Up to 5 years	139.92	-0.03	139.97	–	0.94
7	Over 5 years	133.12	-0.17	133.35	–	0.81
8	All stocks	133.52	-0.16	133.73	–	0.82
9	Debentures & Loans	98.65	-0.16	98.80	–	2.12
10	Preference	77.56	-0.17	77.70	–	1.17

	AVERAGE GROSS REDEMPTION YIELDS		Thu Mar 8	Wed Mar 7	Year ago (approx.)
	British Government				
1	Low	5 years	11.41	11.40	9.19
2	Coupons	15 years	11.06	11.07	8.95
3		25 years	10.95	10.96	8.83
4	Medium	5 years	12.68	12.72	10.31
5	Coupons	15 years	11.51	11.51	9.41
6		25 years	11.07	11.08	8.98
7	High	5 years	12.80	12.83	10.44
8	Coupons	15 years	11.74	11.74	9.63
9		25 years	11.25	11.25	9.17
10	Irredeemables		10.96	10.98	8.69
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.60	4.58	3.24
12	Inflation rate 5%	Over 5 yrs.	4.07	4.06	3.44
13	Inflation rate 10%	Up to 5 yrs.	3.68	3.66	2.39
14	Inflation rate 10%	Over 5 yrs.	3.90	3.88	3.28
15	Debs &	5 years	13.80	13.80	12.02
16	Loans	15 years	13.14	13.12	11.33
17		25 years	13.14	13.12	10.74
18	Preference		11.90	11.87	10.02

‡Opening index 2240.9; 10 am 2245.3; 11 am 2249.0; Noon 2249.0; 1 pm 2252.9; 2 pm 2253.5; 3 pm 2253.1; 3.30 pm 2253.9; 4 pm 2249.4
(a) 3.21pm (b) 9.02am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	14	16
Corporations, Dominion and Foreign Bonds	7	5	14
Industrials	399	303	894
Financial and Properties	189	115	399
Oils	34	12	46
Plantations	1	2	7
Mines	27	44	87
Others	56	78	126
Totals	780	573	1,589

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or –
120	Nil	–	13pm	½pm	Cityvision 5p	½pm	
260	Nil	–	4pm	1½pm	Electra Inv. Tst.	2½pm	+½
8	Nil	–	4pm	1pm	*Int'l. Comm. & Data 5p	3pm	
130	Nil	–	28pm	21pm	*Microlec	25pm	
85	Nil	–	10pm	1½pm	NSM 10p	1½pm	
100	Nil	–	14pm	11pm	Radiotrust	11pm	
200	Nil	–	70pm	34pm	Rosehaugh	34pm	-14

[illegible]

LONDON TRADED OPTIONS

TRADING was busier yesterday as selective buying pushed the underlying market higher. Institutions showed more interest in options although few were prepared to strongly commit themselves ahead of the latest US employment figures out today.

Turnover, at 27,614 contracts, showed a 25 per cent improvement over Wednesday. Yesterday's total was divided between 15,719 calls and 11,895 puts.

The FT-SE 100 index option traded 6,799 contracts, compared with 4,259 on Wednesday, and was made up of 2,165 calls and 4,634 puts. The March 2,300 put series was the busiest, trading 1,268 lots.

The market opened firmly after Tokyo's positive performance, which encouraged some investors to buy calls and sell puts. Dealing remained somewhat subdued, though, as some traders wondered whether the stock market's gains were firmly based. Participants were encouraged by the modest increase in business and hoped that the London Traded Options Market would now be turning over 30,000 contracts a day, rather 20,000 seen recently.

The futures market also seemed more optimistic, with the premium over the cash index closing at 7 footsie points, against 2 the previous day. The March FT-SE Index closed 22 points higher at 2,256.0, having traded 3,504 lots, slightly less than Wednesday.

Among stock options, Hanson proved the most popular as the underlying equity rose 5 to 234½p as a solid 7.3m changed hands. Hanson traded 1,900 options, equivalent to 1.9m shares, most of which were calls. Selling of calls and buying of puts was noted.

United Biscuits was second busiest as 1,320 lots were dealt, all of which were puts.

Barclays was again actively traded. A total of 1,137 changed hands, 967 were calls and 170 were puts. The June 550 call series was the busiest, trading 344. Lonrho traded 1,083 options, made up of 963 calls and 120 puts.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*440)	420	35	45	60	77	17	20
	460	11	23	38	26	36	38
	500	3	10	23	61	64	66
ASDA (*109)	100	14	19	22	2½	4½	7½
	110	6	14	15	6	8½	11
Brit. Airways (*[illegible])	180	22	24	31	2	6	8
Ultramar (*367)	360	22	37	47	12	18	22
	390	9	22	32	30	33	38

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*51)	50	3	7	12	2	6	8
	60	1	5	7½	10	11	13½
Barclays (*585)	550	37	50	65	5	14	22
	600	4	20	35	36	38	46
Blue Circle (*227)	220	12	18	27	3½	12	14
	240	–	8½	15	–	24	26

[illegible]

TRADITIONAL OPTIONS

- First Dealings: March 5
- Last Dealings: March 16
- Last Declarations: June 7
- For settlement: June 18

For rate indications see end of London Share Service

Calls in Aitken Hume, Amstrad, Arabex Pet., Cityvision, Conroy Pet. & Nat. Res., Danbury, Eurotunnel warrants, Millwall, Oliver Res., Regalian Props., Southwest Res., Tuskar Res. and Young (H). Put and call in Brit. & Commonwealth.

Ogilvy acquisition helps WPP soar 86% to £75m

By Alice Rawsthorn

WPP GROUP, which became the world's largest marketing services company after its acquisition last summer of Ogilvy & Mather, yesterday announced an 86 per cent increase in pre-tax profits in 1989, from £40.32m to £75.04m.

Mr Martin Sorrell, group chief executive, said WPP had benefited from healthy new business gains by both the Ogilvy and the J Walter Thompson advertising networks and from Hill & Knowlton, the public relations consultancy.

WPP's revenues vaulted to £1.01bn (£547.13m). It paid £34.53m (£18.93m) on a reduced taxation rate of 46 (47) per cent. Earnings per share rose to 73p (54.3p) with fully diluted earnings of 71.2p. The board proposed a final dividend of 12.9p making a total of 24.2p (17.8p).

Mr Sorrell said net debt had been reduced to £325m at the year-end – £43.5m less than at the time of the Ogilvy acquisition – because of improvements in working capital. He said there was scope for further improvement this year.

Ogilvy Group, which was taken over last May after a bitter bid battle, mustered margins of 10 per cent (after the acquisition) compared with 7.9 per cent in 1988. Ogilvy is expected to raise its margins to 12 per cent this year.

The Ogilvy agency in New York has been reorganised. Ogilvy is now exploring ways of expanding into Japan. WPP is also continuing in discussions with Abbott Mead Vickers, the UK advertising agency, over the future of the Scali McCabe Sloves agency.

The JWT Group, which includes Hill & Knowlton, increased its margins from 9 to 10 per cent in 1989. Mr Sorrell anticipated a further increase to 11 per cent this year, helped by improvements at H&K.

WPP also benefited from a strong performance from its non-advertising interests where revenues grew by 15 per cent during the year. Stewart McColl boosted pre-tax profits by 41 per cent to £2.6m despite the downturn in the UK design market. Anspach Grossman Portugal, the New York design consultancy, and Mendoza Dillon, the Hispanic advertising agency, fared well in the US.

Mr Sorrell said the present year had begun well, despite the slowdown in the US and UK advertising markets.

Trevor Humphries

Martin Sorrell: net debt was down to £325m at the year-end

COMMENT

So far Mr Sorrell has kept all his promises to the investment community. This set of results is no exception. WPP delivered exactly what analysts expected and was rewarded with a 9p fillip in its share price to 656p. Despite the sluggish state of advertising in the US and the UK, the City is confident of profits of £112m or so this year. This leaves the shares looking low on fundamentals on a prospective p/e of 8. But unfortunately for Mr Sorrell, the City is concerned less with efficiency improvements at JWT, than with the sorry saga of Saatchi which has swung shareholder sentiment against marketing companies in general and highly leveraged marketing companies – like WPP – in particular.

DIVIDENDS ANNOUNCED

Antofagasta ......fin	11	June 5	9	17	13
Bailey (Ben) ......int	0.5	May 24	0.5*	-	1.0*
Baynes (Chas) ......fin	0.75	May 15	0.5	1†	0.5
Cala ......int	1.15	Apr 20	1.05	-	3.3
Coats Viyella ......fin	5	July 2	6	9	9
Cussins Property......fin	5.5	-	5.1	9.25	8.25
Dares Estates ......fin	1	Apr 30	1	1.5	1.3
Forward Tech ......fin	1.2	-	1.2	1.8	1.8
Ibex Hldgs § ......fin	1.9	May 15	-	3.8	-
Kode Intl ......fin	5	-	5	7.5	10
Ladbroke ......fin	5.65	July 2	4.705*	9.79	8.155*
Lawtex ......int	0.5‡‡	-	0.5	-	2
Microvitec § ......fin	0.75	Apr 27	1	1.5	1.75
Mucklow (A&J) ......int	2.23	July 2	1.855*	-	4.455*
MTL Instruments§ ....fin	1.4	May 8	2	2.4	2
Nichols (Vimto) ......fin	6	May 8	5.1	10	8.8
Pentland Group ......fin	0.35	-	0.4◆	0.6	0.4
Pentos ......fin	1.7†	June 26	1.4	2.2	1.8
TI Group ......fin	11.75☆	May 24	8.75	17.5	13.5
Woodchester Inv ......fin	1.5♣	May 31	1.125	2.5	1.875
WPP ......fin	12.9†	July 2	12.4	24.2	17.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡‡Corrected. ♣Irish currency. ☆Carries scrip option. ◆Notional dividend if restructured company had existed then

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interim- Pegasus.
Finals- Ferry, Sphere Investment Trust.

FUTURE DATES

Interims-

Alba	Mar. 15
Barrett (Henry)	Apr. 3
Halstead (James)	Mar. 27
PFG Hodgson Kenyon Intl	Mar. 20

Finals-

Acorn Computer	Mar. 19
Cambridge Electronic Inds	Mar. 2
Central Independent TV	Apr. 26
Clyde Petroleum	Mar. 22
Estates & General Invs	Mar. 26
Guardian Royal Exchange	Mar. 28
Guildhouse	Mar. 30
Jacob (W & R)	Mar. 16
Law Debenture	Mar. 21
Linread	Mar. 19
Nestor-BNA	Mar. 22
North Midland Construction	Mar. 14
Pelma	Mar. 13
Process Systems	Mar. 22
Refuge	Mar. 19
Rotork	Mar. 20
Sun Alliance	Apr. 5
Trusthouse Forte	Apr. 18
Tyne Tees TV	Mar. 15
Willis Faber	Mar. 28
Wolstenholme Rink	Mar. 15

Générale des Eaux buys AMI

By Jane Fuller

THE MAJORITY stake in AMI Healthcare, the UK's largest quoted private medical company, is being sold to a subsidiary of Compagnie Générale des Eaux, the French services group.

Générale de Santé International is offering 370.25p per share – nearly 8p less than yesterday's opening price – for the 65 per cent stake owned by American Medical International.

This values the company at about £245m. GSI is making a similar offer for the remaining 35 per cent of the shares.

The majority holding was put up for sale last November, after Los Angeles-based AMI was taken over by IMA Holdings in a highly leveraged $3bn deal. The UK sale is part of a plan to dispose of $1bn of assets to pay off debt.

AMI effectively carried out an auction of the UK holding and the French company came up with the best price.

Dr Marvin Goldberg, chief executive of the UK company which was floated in February 1988 at 215p per share, welcomed the compatibility of the successful suitor and its financial muscle. He also looked forward to the exchange of medical expertise and ideas.

AMI Healthcare has 14 acute care and four psychiatric hospitals, totalling nearly 1,500 beds.

In the year to August 31, it increased pre-tax profits by 33 per cent to £21m on sales of £131m. The purchase price is 18 times earnings.

Although GSI's FFr1bn (£105m) turnover is little more than 1 per cent of its parent's total, it is France's leading operator of private hospitals. It has 40 of them, with more than 3,000 beds.

Last year it carried out an exploratory operation in the UK by purchasing Great Northern Healthcare Management, which has three hospitals.

Mr Daniel Bour, head of development, said the UK market for private health care was uniquely liberal in Europe. In France there was a great deal of regulation.

Apart from sustaining AMI's expansion programme, he believed growth would accelerate. Three avenues for this would be joint ventures with the NHS, extending geographically and expanding ancillary services, such as screening.

He thought his company could learn from the UK approach to working out the "true price" of each bed.

CGE employs 138,000 people and is involved in water, power, heating and construction. It has stakes in nine UK water companies. Other UK interests include the television company TVS and Norwest Holst in construction.

See Lex

Woodchester rises 47%

REFLECTING considerable organic growth and a first time contribution from Milestone Leasing, pre-tax profits of Woodchester Investments rose 47 per cent to I£26.4m (£25m) in 1989.

The business has been reorganised into four operating divisions: lease and instalment credit (Ireland); lease and instalment credit (UK); international; other financial services.

Also a number of new functions have been established to encompass treasury, internal audit, personnel and information systems.

Mr Craig McKinney, chairman, said it had been policy to eliminate exposure to fluctuations in interest rates by hedging, and that proved to be prudent.

The 1989 profit compared with I£18m and came from gross rentals of I£269.92m (I£150.3m).

Earnings per share were up 3p to 15.1p, and the final dividend is 1.5p for a total of 2.5p (1.875p).

During the year, British & Commonwealth Holdings placed 31 per cent of its stake in Woodchester with institutions, and sold the remaining 29.5 per cent to Credit Lyonnais.

Sema in joint buy

Sema Group, in a joint agreement with Societe de Bourse Francaise, is to acquire 29,400 shares (49 per cent) in Tibet SA for £5.3m cash.

Tibet had a turnover of £16.4m and reported pre-tax profits of £440,000 in 1988.

Reebok helps pump Pentland to £71.45m

By Jane Fuller

THE SUCCESS of Reebok's new sports shoe products helped put a spring in the step of Pentland Group, which has a 32 per cent stake in the US company.

Pentland's 1989 pre-tax profit rose by 19 per cent to £71.45m on sales up 6 per cent to £702.52m. Reebok bounded in with profits of £56.75m, a 36 per cent increase on the previous year.

This would have been nearly £1m more had Pentland stayed with year-end exchange rates instead of changing to the annual average.

Mr Frank Farrant, financial director, said the success of 1989 was Reebok's "energy return system", a mechanism in the heel of the shoe designed to act like a spring.

This year the Pump would help to make the running. Pressing a miniature basketball embedded in its tongue inflates the shoe lining.

Other parts of the group, mainly concerned with footwear and clothing distribution, showed only a 5 per cent profit rise to £15.12m.

Mr Farrant said good performances in the UK – notably with the Kickers shoe – and in the Far East were dragged down by problems in the US. Sales of electric fans had been hit by a cool start to the US summer, while later a scare over white dust from humidifiers had punctured demand for those appliances.

Pentland is keen to expand its non-Reebok activities and to this end last year reorganised itself via a reverse takeover by a small investment company.

This involved paying out £50m to shareholders.

Mr Farrant said the company now had £176m of shareholders' funds, without adding in the full market valuation of Reebok, and had very little gearing.

It would look for acquisitions in the branded consumer products field, although it might wait until later in the year when he reckoned even more "froth" would have come off share prices.

Earnings per share were 15 per cent ahead at 11.81p. The final dividend of 0.35p makes a total of 0.6p.

However Pentland said that this could not be compared with last year's 1.5p because of the reorganisation pay-out.

COMMENT

As Pentland follows in Reebok's footsteps, expectations of another good year for the US company – perhaps 14 per cent profit growth – bode well for Pentland. On the other hand, the sale of the Fleetfoot distribution business to Reebok will take out some profit and there could be significant interest payments because of trade financing. A recovery in the US business and growth in the Far East may be offset by a slackening of UK demand for footwear and clothes. A profit forecast of about £75m gives a prospective p/e of less than seven, with the share price of 84p at a considerable discount to assets. It looks good value, but the fruits of reorganisation – notably the long awaited growth by acquisition – still seem some way off.

ADT improves 33% to $290m and raises stake in Christies

By Andrew Hill

ADT, the vehicle auction and security group headed by Mr Michael Ashcroft, said yesterday it believed its 8 per cent stake in BAA, the former British Airports Authority, represented sound value, in spite of the Government's "golden share" and the 15 per cent restriction on shareholdings in the privatised company.

ADT announced yesterday that income rose by nearly 33 per cent last year – from $219m to $290m (£176.2m) before tax – and pushed up margins from 12.4 per cent to more than 30 per cent by selling its maintenance division businesses.

The Bermuda-registered company also revealed that it had increased its stake in Christies International, the UK auction house, from 9.55 per cent to 10.6 per cent of the ordinary share capital – or 9.4 per cent when the special A ordinary shares are taken into account. News of the increase helped push Christies' share price up nearly 5 per cent from 320p to 335p.

Disposals and last year's £210m cash injection from the Canadian group Laidlaw Transportation, ADT's largest shareholder, nearly doubled the cash and liquid securities on the company's balance sheet. At December 31 that figure stood at $1.2bn, against $603m a year earlier.

Explaining the Christies and BAA investments, Mr David Hammond, ADT's finance director, said yesterday: "Because we have this very liquid balance sheet we have decided to invest a certain proportion of our liquid assets in the service sector. Those two happen to be declarable interests."

He said the group was concentrating on developing its existing operations and had not yet spotted another service sector of sufficient size to add to security and motor auctions. A circular on the BAA stake will accompany ADT's annual report later this month.

ADT's earnings per share in the year to December 31 were 29 cents (25.5 cents) and the sale of the maintenance division in 1988 meant net sales came down to $961m ($1.76bn).

Security services, mainly in the US, made $115m ($92m) before tax on net sales of $721m ($696m), while motor auctions showed income of $59m ($48m) before tax on turnover of $229m ($199m). Other income, including discontinued business, was $83m ($50m).

As in previous years, ADT announced a bonus issue of shares in place of a formal dividend. This year it is a 2-for-47 issue, against one-for-23 in 1989. The final issue adds to the one-for-47 interim scrip and is worth about 13.3 cents at yesterday's London share price and exchange rate, compared with 11.5 cents on the same basis last year.

There is a cash alternative of 12.1 cents, making 18 cents (15 cents) for the full year.

COMMENT

There seems to be some difference of opinion about ADT in the market place, where its share price slipped 5p to 190p yesterday. On one side are those who believe Mr Ashcroft's glory days are over, and that security services – albeit supported by the recent £105m acquisition of Britannia Security – and motor auctions are mature businesses. They say this may even be the moment for investors to take profits, with the shares on a prospective multiple of about 10, based on forecasts of $360m before tax for this year. On the other side are those still looking for ADT to power ahead in 1990. Released from the borrowings of early 1989 and with net liquid resources of $250m to invest, they think the group is capable of $380m before tax this year, which would put the shares on a prospective p/e of about 9.5, still good value.

Mystery investor thwarts H&C buy-back plan

By Nikki Tait

PLANS by Harrisons & Crosfield, the plantations group which has been diversifying into building supplies and chemicals, to adopt share buy-back powers have been thwarted by one significant holder of its convertible bond issue.

The identity of the individual is unknown, according to H&C, as is the nature of the objections. However, it seems almost certain that this is an overseas holder – the 7¼ per cent subordinated convertible bonds were sold to euromarket investors – rather than a "mainstream" UK institution.

The company, like many others in recent months, was seeking authority to buy-back up to 10 per cent of its own shares. This required the approval of both the ordinary shareholders and the convertible bondholders. As the motion was a special resolution, a 75 per cent support level was required.

H&C first attempted to secure approval from its bondholders last month. This, too, ran into opposition from the mystery investor, who owns £10m of the £75m issue.

But because the formalities had not been fully complied with, H&C adjourned the meeting and made a second attempt yesterday. This also failed, with bondholders speaking for only £8m-worth of stock voting in favour, against the £10m-worth against.

Faced with this unusual situation and only able to communicate with the recalcitrant investor in a very indirect manner, the company said yesterday that it would not abandon its efforts to obtain buy-back powers, but felt it was pointless to pursue the matter further immediately.

Vibroplant buy

Vibroplant has acquired Bath Plant Holdings, a plant hire business with six locations in south-west England. Consideration of £2.3m was satisfied as to £80,000 in loan notes with the balance in cash. For the period July 11 1988 to December 31 1989 BPH reported pre-tax profits of £368,000, before a goodwill write-off of £125,000, on turnover of £6.65m.

Present chairman confident that missing money could be recovered

Eagle Trust and auditors dispute £13.5m

By John Thornhill

EAGLE TRUST, the troubled mini-conglomerate at the centre of a Serious Fraud Office investigation, yesterday revealed sharp disagreements with its auditors, Peat Marwick McLintock, as it published its long overdue annual report and accounts for 1988.

The dispute centred on Eagle Trust's decision to restate its previous 1987 accounts. Peat Marwick objected to the decision to write off a sum of £13.5m which the board claimed had been misused to satisfy the obligations of some sub-underwriters in relation to a rights issue to fund the acquisition of Samuelson, a television company.

Mr David James, Eagle Trust's chairman, said Peat Marwick had not considered the evidence that sub-underwriters had been funded to be conclusive. "But we are emphatic that the evidence is conclusive," he said.

The auditors also disagreed with the board over reducing the book value of a property in Bray by £3.5m and restating the 1987 accounts accordingly. Peat Marwick said it regarded the prior year adjustment "as inconsistent and not in accordance with accounting principles."

Many of Eagle Trust's problems originated under the chairmanship of Mr John Ferriday, for whom an arrest warrant has been issued in connection with fraud at the company. Mr James said that Mr Ferriday's whereabouts were still unknown but thought that he must have a regular base in Dublin.

It emerged yesterday that Mr Ferriday's solicitors had been in touch with Eagle Trust claiming that the company had illegally taken back a car that belonged to him. Last month, Eagle Trust recovered a Rolls-Royce in Ireland which it claimed was company property and was being illegally used by Mr Ferriday.

Mr James said he was still keen to talk to Mr Ferriday. "I would assure him of a very warm welcome indeed," he said wryly.

Mr James said he understood that the accounts, which showed a net loss of £52.18m, would make distressing reading for shareholders.

But he added that he was confident that tens of millions of pounds of missing money could be recovered and that Eagle Trust might be relisted in the summer of 1991, albeit in a radically different form. "We think there will be a small level of salvage for shareholders," he said.

But he cautioned against over-optimism: "We are still a negative net asset business." The 1989 accounts, due in three months time, are expected to show a deficiency in shareholders funds of £22.5m.

David James: assured former chairman of warm welcome

The 1988 accounts showed an operating profit after interest charges of £9.66m. However, non-recurring losses of £54.53m stemming mainly from the Eagle Express parcel distribution business and the LaForza motor car project pushed the total loss for the year to £52.18m.

Peat Marwick, which will be replaced as auditors by BDO Binder Hamlyn, said it was unable to form an opinion as to whether the accounts gave a true and fair view. It did, however, agree with the board that Eagle Trust was a going concern.

Mr James promised that he would continue his "vigorous campaign" of litigation against both individuals and institutions in pursuit of missing money. "If we see a pound out there which will not cost us more than 99p to get back then we will have it," he said.

The 1988 accounts showed that the company had made a £4.5m provision reflecting the estimated costs of the investigation.

On Wednesday, Eagle Trust issued a writ against seven former directors seeking damages for breach of duty and trust. One of its claims related to payments of unlawful dividends following the directors' approval of the 1987 accounts. Mr James said yesterday that the directors might be liable for all the dividends paid out by the company in July 1988 and January 1989 amounting to over £2m.

An additional claim on the writ made against Mr Richard Smith only is for damages for alleged fraud.

Commenting on Eagle Trust's present trading position, he said the core businesses were expected to show a sound profit performance in the current year and that the company would continue with its disposal policy which had already raised £14m. Bank debt is now £85m.

UK COMPANY NEWS

Plans to sell equity stakes in some hotels should fuel expansion

Ladbroke advances 20% to £302.2m

By Clare Pearson

ALL DIVISIONS of Ladbroke, the international leisure group with interests spanning hotels, betting and DIY stores, contributed to a 20 per cent increase from £252.3m to £302.2m in 1989 pre-tax profits. Turnover rose from £2.85bn to £3.66bn.

Mr Cyril Stein, chairman, described the year as excellent and made clear that he was looking for further good progress. "We are confident of continuing success in 1990 and beyond."

The planned sale of equity stakes in some of the Hilton International hotels should fuel further expansion of this dominant division, he said.

Ladbroke owns 82 of its 143 hotels outright and plans to realise some of their value by selling majority or minority stakes, while retaining their management contracts. In this way it hopes to recoup up to the full amount of the costs of developing a hotel.

Some 15 hotels are under development. A new hotel in Barcelona, Spain, where the Olympics are to be held in 1992, opened last week to a full house.

In the year to end-December, nine more hotels opened and the division achieved pre-tax profits of £167.8m (£118.9m). Turnover rose to £830.1m (£688.8m).

Trevor Humphries

Cyril Stein: confident of continuing success in 1990 and beyond

The addition of the Vernons football pools business to Ladbroke Racing, the off-track betting business, helped the division achieve pre-tax profits of £91.1m (£77.5m).

Vernons put in profits of £7m and contributed another £1.5m to the reduction of central costs. Ladbroke said that Vernons had improved both operating profit and market share since being acquired through the takeover of Thomson T-Line in February last year.

Ladbroke expects various relaxations of betting legislation in the UK, Europe and the US to underpin growth in this division. The small-scale US operations are to be expanded by the opening of the first of six off-track betting theatres in Pittsburgh, Pennsylvania.

Profits at Texas Homecare, the DIY stores operation, were 3 per cent up on a like-for-like basis, rising to £40.1m (£34.5m).

This achievement, which contrasts with severe difficulties afflicting other UK companies in the same market, is attributed to efficiencies helped by market leadership in certain sectors, such as garden furniture. A further 17 stores are to be added this year to the 214 existing outlets.

Property put in £35.9m (£32.2m). Rents at a number of West End properties are expected to be significantly enhanced when they come up for review this year and next.

The final dividend is lifted by 20 per cent to 5.65p, making 9.79p (8.16p) for the year. Earnings per share worked through at 24.28p (19.99p).

See Lex

Fags held to £25.5m as copper prices fall

By Kenneth Gooding, Mining Correspondent

FALLING copper prices reduced the rate of profits growth at Antofagasta Holdings in the second half of last year.

However, the UK-listed group, which has a wide variety of interests in Chile, still achieved a 17 per cent advance from £21.8m to £25.5m in taxable profits for 1989.

Antofagasta said it expected another good year in 1990 but results would remain sensitive to the level of copper prices.

Lower metal prices and a reduction in the grade of ore mined in the second half resulted in a slightly reduced taxable profit of £10.84m (£11.4m) for 1989 as a whole from the mining interests.

The railway and associated companies produced "excellent" results – £3.63m before tax compared with £3.5m.

Income from associated companies was substantially increased because during the year the company lifted its holding in Banco O'Higgins to 48 per cent and received a dividend of £2.4m (£700,000).

As the bank is now almost clear of the restrictions of the Central Bank of Chile's support mechanism, introduced in 1982, the group will account for its share of the bank's results from 1990.

In 1989 that share would have been £6.3m so the bank's profitability will be of increased importance to the group in 1990.

A change in Chile's tax system resulted in no tax being paid by the company in respect of 1989. However, Antofagasta warned: "The incoming government may revert to the previous system of taxation after it assumes power in 1990."

Turnover was 21 per cent higher at £49.2m (£40.81m). Earnings per share were up 35 per cent from 53.3p to 72.2p and the recommended annual dividend is lifted by 31 per cent from 13p to 17p.

Coats static at £137m as UK textile downturn continues

By Alice Rawsthorn

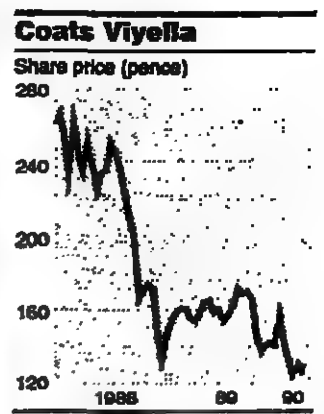
COATS VIYELLA, the textile group which last year mounted a bid for Tootal, managed to maintain pre-tax profits at £137.4m in 1989 in spite of the downturn in UK textiles.

Sir David Alliance, chairman, described the climate in the UK, where Coats is the largest player, as "very tough". "I have been in this business for 40 years and have never known it to be as bad as this," he said.

Last summer Coats mounted a £395m bid for Tootal, another large UK textile group. That lapsed while it was being investigated by the Monopolies and Mergers Commission. Coats received conditional clearance to proceed with the bid last autumn, but has been unable to agree a price with Tootal.

Coats received £4.5m in dividend income from its 29.9 per cent stake in Tootal last year; total cost of the investment amounted to £115m. Goodwill of £59m has been written off. The resultant carrying value of the Tootal shares is equivalent to 65p each. Sir David said yesterday he was keen to renew the bid, but not at the original price of 138p per share.

Turnover rose to £1.9bn (£1.86bn) and operating profits to £155.3m (£143.6m). Interest charges took £21m (£11.9m). Earnings per share fell to 15.1p



(16.1p) and the final dividend is maintained at 6p, making an unchanged total of 9p.

Coats' problems were concentrated in South America, where it has been hit by hyper-inflation, and in the UK, where the textile sector has suffered from the slowdown in consumer spending. Homewares, hit by higher interest rates, saw profits fall to £8m (£16.8m). Yarns and fabrics suffered from bad debts and profits were static at £18.6m (£18.2m).

The garment and retail division benefited from rationalisation – especially in knitwear – and recovered to £11.5m (£9.2m). The contribution from thread and handknittings, where Coats is restructuring its European operations, rose to £76.5m (£75m).

Engineering suffered from the cost of start-ups and profits rose modestly to £23.4m (£22.7m). Coats made £17.3m (£1.7m) from other sources including £12m from property.

Sir David said the reorganisation was largely completed. Coats last year reduced its workforce by 4,000 – to 36,000 – through disposals and closures. He said the benefits of restructuring should emerge this year.

● COMMENT

This time last year Coats delivered a nasty shock when it revealed quite how damaging the downturn in textiles had been. Analysts are now so inured to plunging profits and company collapses that this set of results came almost as a relief. The UK textile sector is still in a sorry state. Coats does seem to have stabilised some businesses, such as knitwear, but is still exposed in others, like homewares. The City expects profits of £140m putting the shares – up 4p to 132p yesterday – on a prospective p/e of 8.5. But investors' interest is really focused on Tootal and on what price Coats would have to pay to clinch agreement for another bid.

Chas Baynes surges to over £4m

Acquisitions and substantial organic growth pushed up pre-tax profits at Charles Baynes to £4.1m in 1989, from £1.68m the year before.

Harris & Edgar and Heath Packaging were acquired in April 1989 and 35.6m shares were issued for the funding; the two companies contributed £1.1m to profits. Group earnings rose 67 per cent to 3.06p (1.83p), due mainly to organic growth.

Mr Bruce McInnes, chairman, said the new year had started with record order books, and much of that business represented components used in export markets, particularly in the case of aerospace activities.

Harris & Edgar, which supplies stainless steel fixings, had settled in well and produced excellent results.

The dividend on increased capital is doubled to 1p, the final being 0.75p.

Panel says First Technology must declare stand on Ricardo

By Nikki Tait

THE TAKEOVER Panel, the City watchdog on bids and deals, has intervened in the battle over Ricardo, the Sussex-based engines and transmissions designer, declaring that former predator, First Technology, must clarify its future intentions. First Technology will appeal the decision today.

First Technology said on Wednesday that if Ricardo's plan to make an all-share bid for SAC International was voted down by the engineering design group's shareholders at an extraordinary meeting on Monday, it would repeat an offer of a 180p-a-share paper bid for Ricardo.

SAC, a Bristol-based engineering services group, has recommended the merger with the slightly smaller Ricardo group.

Ricardo, however, is emphatic that it would reject the First Technology proposal – as it did when the idea was first mooted on Tuesday night.

Accordingly, Ricardo has been pressing the Panel to make First Technology clarify its intentions in the face of such a rejection. First Technology, says Ricardo, should state whether it is prepared to make a hostile bid.

This, however, runs into objections from First Technology, whose advisers are emphatic that their client neither wishes, nor will say whether it would go ahead on a hostile basis.

Yesterday, the Panel executive supported Ricardo's case and ruled that the clarification should be provided.

Now, with only one working day left before the meeting, the full Takeover Panel is convening at extremely short notice to hear an appeal from First Technology. The decision will be announced as quickly as possible.

If the full Panel upholds the Panel executive's decision, First Technology might face the choice of either clarifying the matter or of facing the possibility that the Panel would take action itself, perhaps debarring a hostile bid.

MTL Instruments

MTL Instruments Group bucked the trend among small UK businesses with a rise in pre-tax profits – of 34 per cent to £3.06m. Turnover advanced 28 per cent to £11.86m (£9.3m). The final dividend is 1.4p to make 2.4p (2p).

Claremont linked with investigation by SFO

By Vanessa Houlder

A MYSTERY hung over Claremont (UK), a loss-making oil and gas company, yesterday after it was linked with an investigation by the Serious Fraud Office.

The shares were suspended in the afternoon "pending clarification of certain matters being investigated by the Serious Fraud Office." In the wake of the announcement, SBCI Savory Milln announced its resignation as stockbroker to the company.

The SFO said yesterday that "as such, Claremont is not being investigated, but there could be links with other matters that are being investigated."

No one from the company was available to comment last night. Attempts were being made to reach Mr Michael Fuller, chairman, who is in Australia.

Claremont (UK) is the holding company which manages the activities of the group, which include a number of wells in the US.

Forward Technology

Forward Technology Industries profit fell by £1m to £2.27m. However, earnings only slipped to 5.9p (6p) and the final dividend is again 1.2p for an unchanged 1.8p total. Sales in 1989 reached £42.85m (£36.12m).

Slide to £1.28m at Microvitec

Competitive pressures and increased expenditure were blamed by Microvitec for lower pre-tax profits of £1.28m in 1989. The previous figure was £1.76m.

Mr David Burnet, chairman, said the USM-quoted company, which makes products related to the application of micro-electronics, had a major new product development programme. He expected the benefits to come through during the year.

He also expected the manufacturing and marketing agreement with Electrohome of Canada to boost sales towards the year end.

Turnover amounted to £32.1m (£26.6m). The dividend is reduced to 1.5p (1.75p), with a final of 0.75p, payable from earnings of 3.1p (4.2p).

Pentos improves 14% to £12.5m

By Andrew Hill

MR TERRY MAHER, chairman of Pentos, hopes to be selling literary fiction at discounted prices through the company's Dillons bookshop chain by the end of the year.

The price-cutting would follow two similar promotions – one before Christmas and one, for children's books, running now – part of Dillons' campaign against the net book agreement, which sets minimum prices for most new books.

Pentos, which also owns office furniture manufacturers and the Athena and Ryman stores, yesterday revealed a 14 per cent increase in pre-tax profits, from £11m to £12.5m, in 1989.

Mr Maher said there would be a number of cut-price promotions at Dillons during the year.

"What we are trying to do here is undermine support for this stupid net book agreement," he explained. He has written to publishers to persuade them to produce literary fiction outside the NBA – currently the only way in which the price of new books can be legally discounted.

Dillons, which added five shops during the year to the 43 already operating, led the Pentos subsidiaries with a 34 per cent increase in sales in 1989.

Group sales rose 18.5 per cent from £120.8m to £143.2m. Specialist retailing, which includes Athena, Dillons and Ryman, made £9.7m (£8.1m) on sales of £110m (£91.4m), while office furniture increased profits to £5.2m (£3.9m) on the back of turnover of £33.1m (£27.5m).

Mr Maher said Dillons and Athena, the poster and card retailer, were performing well except in the US; a decision on the future of the under-performing Athena stores there will be made this year.

Ryman, the stationery and office supplies chain bought in 1987, suffered due to the depressed market last year for office machines and personal organisers and sales were flat.

Terry Maher: undermining support for 'this stupid NBA'

But Mr Maher said the 79 stores would be redesigned during 1990 and Pentos would begin to expand the chain.

"We're very happy with Ryman – it's a very profitable business," said Mr Maher yesterday.

Earnings per share increased from 8.8p to 9.7p in the year and a final dividend of 1.7p is proposed, making 2.2p (1.8p) for the year.

● COMMENT

It looks as though Mr Maher's ambitious capital investment programme – £16m in 1988, £17m last year – is being reined in for 1990, when £12m will be spent. Not so, says the Pentos chairman, the original plan was for £10m of capital investment and the new figure may itself be reviewed if further opportunities to buy quality retailing space arise. However, improving the return on those investments is now proving more difficult, as even the bullish Mr Maher admits, and the City is still unconvinced about the Ryman chain, poised for its second redesign attempt in two years (the first was shelved because it was "too expensive and too bland"). The shares, which have had a rough ride in the last 12 months, were unchanged at 96p yesterday. A prospective p/e of about 10 looks fair based on 1990 forecasts of £14.5m before a rising tax charge.

John Lewis pessimistic after 16% fall to £110m

By Maggie Urry

A 16 per cent drop to £110.1m in full-year pre-tax profits was yesterday reported by John Lewis Partnership, the department store and supermarket retailer which is owned by its employees.

The 32,000 partners (the employees) will suffer a fall in their annual bonus from 22 per cent to 17 per cent of salary.

Mr Peter Lewis, chairman, said retail conditions were the worst for many years, and any improvement in the current year was unlikely.

He told the partners: "The outlook for retail sales is not promising and our costs are still rising. The squeeze between the two looks likely to be more severe this year than last." High interest rates had particularly hit spending on housing-related goods, Mr Lewis said, and he was not hopeful of a fall in rates soon.

The total cost of the partnership bonus was £41.2m, down from £47.5m. A partner on the average salary will receive a bonus of £1,530 (£1,810).

In the year to January 27, group sales rose by 7 per cent from £1.92m to £2.05bn. But Mr Lewis said that costs rose nearly twice as fast as sales.

However, the final result was not as bad as had been feared earlier in the year. A sales pick-up in December had "wiped out much of the earlier disappointments, but not all."

A cut in the pension fund contribution from £18m to £9m, prevented an even worse profit fall. However, there were also heavy exceptional costs, such as moving the central offices. Interest charges rose 72 per cent from £7.9m to £13.6m.

The department stores increased sales to £1.04bn (£1bn), the Waitrose chain by 9 per cent to £960.2m (£884.5m) and the wholesale and manufacturing activities' by 37 per cent to £45.4m (£33.1m).

During the year, five Waitrose supermarkets and one department store were opened. In the current year the group will open a further six Waitrose shops, a new department store in Kingston, south-west London, and will double the size of the department store in Watford.

CALA declines 17% as conditions tighten in south

By James Buxton, Scottish Correspondent

CALA, the Edinburgh-based builder of upmarket houses, ended a 15-year run of increased earnings yesterday when it announced a 17 per cent drop in interim profits.

Taxable profits for the six months to December 30 1989 were £3m, down from £3.6m. Turnover was up 15 per cent at £34.3m (£29.9m).

Mr Geoffrey Ball, chairman, said the results reflected very difficult trading conditions in the south of England, though this was partially offset by good performances in Scotland, and in commercial property.

Many sales in the south had been at reduced prices. Though CALA had decided two years ago to cut back building and land buying in anticipation of a slowdown, and to sell more houses forward, it had made provisions against a small number of sites. Its finance subsidiary had also made some provisions.

Mr Ball said CALA was reducing overheads, leaving it with low borrowings, enabling it to take advantage of opportunities to purchase land.

He said that CALA's regional spread and good site locations had enabled it to weather the severe downturn in the English market. Though the number of units completed this year would be less than last year, turnover was expected to increase.

Mr Ball did not expect the housing market to improve significantly in 1990, which was a most difficult year to forecast. "Sales trends vary from month to month and sentiment on interest rates oscillates almost weekly," he said.

Earnings fell from 6.61p per share to 5.52p, but the interim dividend is lifted to 1.15p (1.05p).

Shorco expands

Shorco has acquired the business of Messenger Brothers, a Birmingham-based survey equipment hire and sales company, for £100,000 cash. An additional profits-related consideration of up to £113,000 is also payable.

Hillsdown puts cash into Craton Lodge

By Nikki Tait

CRATON LODGE & Knight, the ailing product development group, is being rescued by a cash injection from Hillsdown Investment Trust, a 90 per cent-owned subsidiary of Hillsdown Holdings, the food group.

New additional management – headed by Mr Stephen Bennett, a partner at Deloitte Haskins & Sells – is also being drafted in.

Only last month, plans to inject FTC, a publishing and marketing company, into Craton collapsed. As a result the company urgently needed an alternative solution. If the new scheme does not go through directors warned that the company would be placed in receivership.

The deal takes the form of a staggering 35-for-1 rights issue at 1p, which is fully underwritten by HIT. This will raise around £2m before expenses. HIT, plus six individuals, are also subscribing for a further 55m new shares, also at 1p. This will raise another £550,000.

In theory, if shareholders cold-shoulder the rights issue, HIT and the consortium could end up with almost 94 per cent of Craton. In practice, however, HIT will place out sufficient shares to reduce its holding to about 49 per cent.

The six-strong consortium, which includes Mr Bennett, will probably end up with another 18 per cent, and some of the existing management – who at present own over 80 per cent of the shares – have indicated that they will take up rights, obtaining a stake of around 7 per cent. The USM quotation will be maintained.

Craton will also sell four subsidiaries to management, leaving it with the core profitable CLK product development consultancy business and a second consultancy, Innovation Management International. Net assets after disposals will be about £1.9m, and the group will have cash resources of some £1m.

The shares were suspended in October at 43p. The company came to the USM at 115p in 1984, and hit a high of 195p shortly afterwards.

Sketchley's white knight turns

Andrew Bolger on the £96.5m offer from Compass

DECIDING TO seek white knights can have a less than fairy tale ending for companies which find themselves facing a hostile takeover bid. Sometimes the target's proposed rescuer transforms itself into a hungry predator.

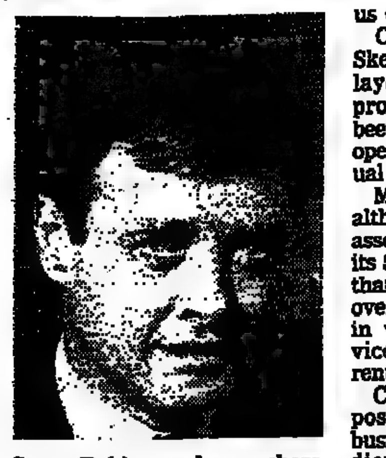
That is the situation facing Sketchley, the services group best known for its dry cleaning outlets, which yesterday found itself the subject of a bid for the second time within a month.

The all-share offer worth £96.5m from Compass, the contract catering and health care group, comes only a week after Godfrey Davis abandoned its £126m assault. The car dealing and laundry group took fright at the profits fall forecast by Sketchley in its defence document.

Compass said it had been approached by Sketchley following the bid by Godfrey Davis, regarding the possibility of Compass making a higher offer. In fact Compass had identified Sketchley as a possible target as early as June 1988, and in September of that year spent £150,000 on a detailed report by Touche Ross into the feasibility of combining the groups.

Mr Gerry Robinson, chief executive of Compass, said the study confirmed that the two groups would be an excellent fit – but it also confirmed his view that the Sketchley share price was far too high to make a bid worthwhile.

Mr Robinson said of Sketchley's approach during the Godfrey Davis battle: "Obviously we took advantage to look at the company again. It merely reinforced our view that the Godfrey Davis offer was too expensive. Frankly, once that offer failed, for the first time the company looked affordable."



Gerry Robinson: lower share price prompted move

Sketchley shares plunged 98p to 251p after Godfrey Davis withdrew its shares-and-cash offer, which dropped in value from 380p to 350p in the course of the bid.

Godfrey Davis was repelled by Sketchley's warning that pre-tax profits for the year to March 30 might fall to about £6m, well below the previous year's £17.3m. Mr John Ivey, Godfrey Davis chief executive, described the forecast as lamentable and said he was not prepared to damage his company by overpaying for Sketchley.

Mr Francis Mackay, Compass's finance director, said that although Sketchley did not give a profits forecast during their white knight talks, it did provide a lot of information which fleshed out Compass's view of the company and the poor figures did not surprise him when they were published.

Mr Robinson said: "Sketchley is in a mess – it needs proper management. That is reflected for the first time in the shares price, which gives us our opportunity."

Compass's main criticism of Sketchley is that management layers have been allowed to proliferate, while there has been inadequate financial and operational control of individual business units.

Mr Robinson said that although Sketchley's name was associated with dry cleaning, its 500 shops accounted for less than 30 per cent of group turnover. The rest of the group was in vending and catering services, textile and workwear rental and office services.

Compass said it would dispose of Sketchley's vending business, other than its ingredient supply activities. It would also review Mellordata, which supplies computer peripherals and office cleaning services.

Whatever the industrial logic of a takeover, debate in the City is likely to centre on whether Compass is attempting to take advantage of Sketchley's disarray by acquiring the company at a knock-down price.

The view of the institutions is likely to prove decisive. Mercury Asset Management and M&G between them own 27 per cent of the group. MAM, which has a 17 per cent stake, had said it was deeply disturbed by Sketchley's trading performance and it immediately accepted Godfrey Davis's offer without waiting to hear Sketchley's defence. MAM also has a 7 per cent stake in Compass.

The fact that talks were being held last night between both sides means that a recommendation by Sketchley to accept cannot be ruled out. However, there is a huge gulf between Compass's price and the Godfrey Davis offer, which the departing chairman, Mr Malcolm Glenn, rejected as "totally inadequate."

Pickwick records 33% advance

By Jane Fuller

PICKWICK GROUP, which distributes videos, records and cassettes, increased pre-tax profit by 33 per cent to £4.4m in 1989.

Sales, up 29 per cent to £53.3m, were split 60:40 between video and audio products.

The year included the company's first overseas acquisition, Elap Music in Denmark, and the securing of a distribution agreement with Walt Disney for children's books and tapes.

Mr Ivor Schlosberg, chairman, said the company was the UK's leading video distributor. Margins had been improved by creating more of its own products, such as videos of Glasgow Rangers' football and Paul McCartney's music.

Earnings per share were 12.6p (9.8p) and the final dividend of 3p makes a total of 4.25p (3.25p).

The company is 21.2 per cent owned by Pearson, the printing, banking and industrial conglomerate that publishes the Financial Times.

NEWS DIGEST

Fall to £9m at Dares Estates

DARES ESTATES saw pre-tax profit fall by £3.46m to £9.1m in 1989, as a direct consequence of market conditions and concentration on capital growth.

In taking a longer-term view of the market, directors have held properties for growth rather than trading. That led to an increase in rental income from £4.61m to £7.23m and offset the effect of a drop in trading activity.

Net asset value per share rose from 30.3p to 42.4p.

Directors estimated that rental income would reach £12m annually by the end of 1992 through reviews and reversions.

The company's operating profit actually increased, from £13.32m to £14.6m. But a £3.72m downturn to a loss of £1.25m from related companies and a £1m increase in interest charges led to the overall shortfall.

Earnings were 2.1p. The 1988 figure of 4.14p was inflated by the proceeds of the £25.8m convertible preference issue, the first dividend on which was not reflected in the calculation of earnings; on a proportionate accrual it would have been 3.78p.

The final dividend is 1p for a total of 1.5p (1.3p).

North-east profits keep Cussins ahead

In spite of "excellent figures" from north-east residential development, 1989 pre-tax profits at Cussins Property Group moved only fractionally ahead of 1988.

This Newcastle upon Tyne-based housebuilder and property developer made profits of £2.75m (£2.73m) on turnover 49 per cent up at £22.5m (£15.12m). Stripping out interest payable of £2.39m (£1.52m) and the share of losses of Cussins' associated companies of £1.94m (profits of £471,000), profits would have been £7.08m (£3.78m).

After tax of £887,000 (£935,000), earnings came out at 26.2p (25.2p) and the final dividend is lifted to a proposed 5.5p for a total of 9.25p (8.25p) for the year.

The north-east housebuilding operation increased turnover by 32 per cent to £20m, and, for the year as a whole, its profit margins rose from 23 to 31 per cent, resulting in a gross profit of £6.1m for the division.

In commercial development, rental income rose by 12 per cent to £1.6m.

The net asset value at the year-end was 306p, up from 291.5p last time.

Ibex slips £50,000 to £1.95m in first year

Ibex Holdings, the recruitment consultancy and employment agency which gained a USM quotation last April, saw pre-tax profits slide by £50,000 to £1.95m in 1989. At the same time turnover grew from £21.58m to £38.37m.

The company said that Austin Benn, the recruitment consultancy, maintained its level of activity with a 37 per cent increase in operating profits. However, at ABC Contract Services a turnover improvement of 67 per cent was undermined by a 3 per cent reduction in operating profit after losses incurred opening new branches in 1989 of £340,000 (£50,000).

Finance costs rose to £583,000 (£124,000). Earnings worked through at 10.63p (11.26p) and a recommended final dividend of 1.9p makes a total of 3.8p for the year.

Mucklow expands 26% to £5.2m

A&J Mucklow Group, the West Midlands-based industrial property investment and development company, yesterday unveiled a 26 per cent expansion in interim profits.

Mr Albert Mucklow, chairman, said that in spite of the effects which current high interest rates continued to have on housebuilding, conditions affecting the group's activities remained favourable. Interest charges during the period rose from £760,000 to £1.45m.

Pre-tax profits in the six months to end-December totalled £5.17m, up from £4.11m in the corresponding period of 1988. Gross rents rose to £5.92m (£4.88m).

To reduce disparity an interim dividend of 2.23p (1.855p adjusted) is payable from earnings of 3.77p (2.99p) per share.

Thirst for Vimto boosts Nichols 24%

Pre-tax profits of JN Nichols (Vimto) rose 24 per cent in 1989 as fine weather last summer prompted a "particularly strong performance" by the core Vimto soft drink brand.

On turnover up from £39.34m to £49.79m, profits of the Manchester-based group rose to £8.15m (£6.55m), struck after a profit of £1.56m (£464,000) from the disposal of investments.

Earnings per share worked through 39 per cent higher at 31.2p (22.5p) and a proposed final dividend of 6p brings the total for the year to 10p (8.6p).

Kode tumbles into £1.5m loss

Kode International, the Wiltshire-based computer equipment company, yesterday reported a lapse into losses in 1989.

At the pre-tax level, the deficit totalled £1.46m compared with profits of £409,000 last time. However, directors said that adequate measures had been taken to remedy the situation and the slimmed-down group was now well placed to meet the challenges of the 1990s.

The group as a whole had traded at breakeven level in the second half and would concentrate its skills on its computer maintenance and services and printed circuit board businesses, they said.

Turnover fell to £27.8m (£33.3m) but distribution costs had been cut from £1.2m to £523,000.

The loss per share worked through at 21.8p (earnings 4.8p) and a maintained final dividend of 5p takes the total for the year to 7.5p (10p).

Homes division helps Ben Bailey up 47%

With the major proportion generated from the homes division, taxable profits of Ben Bailey Construction advanced 47 per cent to £1.05m for the half year to December 31.

But Mr Richard Bailey, chairman, said current trading was proving to be more difficult, as high interest rates were now having an impact on the market in South and West Yorkshire.

Profit for the half year compared with £712,000 and came from turnover of £8.18m (£8m). Completions totalled 116 new homes fetching an average of about £50,000. In spite of the problems, the forward order book was healthy.

Mr Bailey said the merchanting and property companies were trading reasonably well and should make a contribution to the full year.

Earnings worked through at 6.59p (4.35p) and the interim dividend is again 0.5p.

Synapse swings to losses of £249,000

Synapse Computer Services swung from profits of £463,000 to losses of £249,000 pre-tax for the six months ended January 31. Turnover edged ahead from £4.07m to £4.67m.

Mr Bill Williams, chairman, blamed much of the turnround on exceptional adverse trading conditions in the US. In spite of expectations of positive growth in the US, anticipated orders for the group's American offshoot failed to materialise.

First-half losses per share emerged at 7.07p (earnings 8.54p). The company's shares are traded on the USM.

Improved margins help Gent gain 33%

Improved margins enabled SR Gent, one of the largest suppliers of clothing to Marks and Spencer, to continue its expansion and record a 33 per cent advance in pre-tax profits for the half year to December 31 1989.

Turnover rose 12.5 per cent to £58.87m (£52.3m), and profits worked through at £1.36m (£1.02m). With earnings up to 2.3p (1.9p) the interim dividend is raised to 1.25p (1p).

Current trading continued to reflect the product strength of the group's merchandise, directors said. Ladies knitwear had continued to sell "extremely well", and children's clothing goes from strength to strength.

A joint venture had been formed to develop a chain of retail fashion stores in this country and Europe to be called Episode.

Domestic & General raised to £1.46m

Taxable profits of Domestic & General, a provider of ancillary insurance services, expanded from £1.04m to £1.46m over the half year to December 31.

Mr Martin Copley, chairman, said there had been no major changes in the core business, which had continued to develop largely through existing accounts.

He added that the non-core activities were becoming less significant to group results and were performing satisfactorily. UK Installations, the recently-acquired gas appliance installation business, was the one disappointing division due to problems and costs arising from its relocation to Coventry.

Gross premium income rose by £2.98m to £9.86m, broking commission by £260,000 to £1.41m and other income by £531,000 to £706,000.

Earnings emerged at 12.84p (9.49p) after tax and minorities and the interim dividend is stepped up from 2.75p to 3.5p.

Mr Copley said that while expenditure on the group's infrastructure would continue to rise in the second half he envisaged a slower rate thereafter.

COMMODITIES AND AGRICULTURE

UK hopes improved in Statfjord oil field dispute

By **Steven Butler** in London and **Karen Fossli** in Oslo

UK HOPES of gaining billions of dollars of revenue and oil at the expense of the Norwegians took a step forward yesterday.

The UK side won a procedural victory in a dispute over how much of the Statfjord field, the largest in the North Sea, lies in Norway and how much lies in the UK.

Each percentage point shift in ownership would lead to a loss or gain of £280m in UK government revenues.

Both Governments said yesterday an impasse over redetermination of shares in the field, which straddles the UK-Norway median line, had been resolved and an independent expert would be appointed by the companies involved to examine geologic data on the field and reallocate ownership.

The UK side had been pressing to allow the expert more than the three months originally specified in the operating agreement for the field, as extra time was thought critical to establish the UK case. This has now been extended to at least nine months.

The UK partners – Conoco, Chevron, and BP – now have 16.9 per cent of the field and are claiming they should be allocated up to four percentage points more. Statoil, the Norwegian state oil company which operates the field, is pushing to have the Norwegian share boosted by a similar amount.

The UK Government intervened in May last year in a dispute between the field partners and invoked provisions of the Statfjord Treaty that allow it to initiate a Government redetermination of the field. However the UK Government had withheld approval of an independent expert, and applied pressure on the Norwegian side to lengthen the time for an expert to examine field data. Now that this has been done by means of amendments to the operating agreement, the UK Government is content to let the companies themselves resolve the dispute.

Periodic redetermination of field shares is a normal part of the operating agreement. However Statoil, as operator, dominated the process and pushed forward despite at least 600 objections on technical points lodged by the partners, some coming from partners on the Norwegian side, which include Mobil, Shell and Esso.

The UK partners believed that if given only three months, an expert would have been forced to rely too heavily on the Statoil-prepared data.

However, Statoil said it did not believe now that either party had an edge.

Statoil has an interest in speeding up the process. If the redetermination, which takes effect retroactively, should be in its favour, the UK partners, with a much smaller proportion of total production, may experience difficulty making up for past production which should have gone to the Norwegian side.

An official at Norway's Oil and Energy Ministry, which opposed government intervention, said: "This matter has gone on far too long and it's our feeling that it has been delayed by UK interests. We are pleased to have an agreement which calls for the partners in the field to appoint an expert."

Negotiations for a final contract with an expert are now under way and are expected to conclude in about a month.

UK aims to cut haddock catch

By **Tim Dickson** in Brussels

TOUGH MEASURES aimed at reducing this year's North Sea haddock catch by 30 per cent were unveiled yesterday by the British Government.

The package, which takes effect on Sunday, gives boat owners a choice between effectively tying up their North Sea vessels for several weeks, or using nets throughout the year with a larger than usual mesh.

Yesterday's announcement follows last December's bitterly contested quota negotiations in Brussels, which were overshadowed by the seriously depleted state of North Sea white fish stocks. They resulted in a deep cut in the European Community's 1990 haddock quota from 62,500 tonnes in 1989 to 41,700 tonnes (of which the UK gets 36,280 tonnes) this year.

The UK and others successfully resisted detailed European Commission proposals for achieving a commensurate cut in the overall fishing effort, insisting that quota management was a matter for the member states. The Government reached its conclusions after consultations subsequently undertaken with fisheries organisations.

In a Parliamentary written answer Mr David Curry, the UK's Fisheries Minister, explained that haddock fishermen were to be given two options – to limit North Sea fishing to 92 days during the remainder of this year or to use 110mm mesh nets rather than the normal 90mm.

Producer organisations, said Mr Curry, were being asked to help by regulating their members' landings so that they do not take more than 60 per cent of their allocations by July 1 and no more than 85 per cent by October 1. In addition licensing is to be extended to fishing in the North Sea for any species by UK vessels of more than 10 metres.

Mr Curry said he thought fishermen would accept the new controls as being "necessary in the longer term interests of all those who rely on the North Sea haddock fishery." Without such action there would be a serious risk of a "total collapse in the North Sea haddock stock."

Price fall hits Canadian uranium mine

By **Bernard Simon** in Toronto

FALLING WORLD prices have caused the second setback in a month for Northern Ontario's uranium industry with the announcement by Denison Mines of plans to cut production sharply and lay off 28 per cent of its workforce at its Elliot Lake operations.

Denison said the cuts are required "to protect the viability of its operations in the face of extremely competitive uranium markets."

Output will be cut from the present level of about [illegible] a year to 2.7m lbs in 1991. About 450 workers will be laid off by Aug 1.

The Elliot Lake mine has long-term contracts with Ontario Hydro and Tokyo Electric Power, but its profitability has been hurt by declining prices and the low grade of the deposit compared with mines in Saskatchewan and Australia. Denison will continue to supply Ontario Hydro, and said that it has made unspecified arrangements for deliveries to other customers. Its contract with Tokyo Electric continues until 1997.

The other Elliot Lake producer, Rio Algom a subsidiary of Britain's RTZ, announced last month that it was closing two of its three mines in the area next year, with the loss of 1,600 jobs. The third mine also supplies Ontario Hydro.

New York waits to toast the happy couple

Alan Spence on marriage plans for the city's two leading commodity exchanges

THE NEW York Mercantile Exchange (Nymex) and the city's Commodity Exchange (Comex) may finally be heading towards the merger of their operations. The new entity would harbour a powerful range of commodity futures markets, taking in precious and base metals, as well as a cluster of energy contracts, including crude oil.

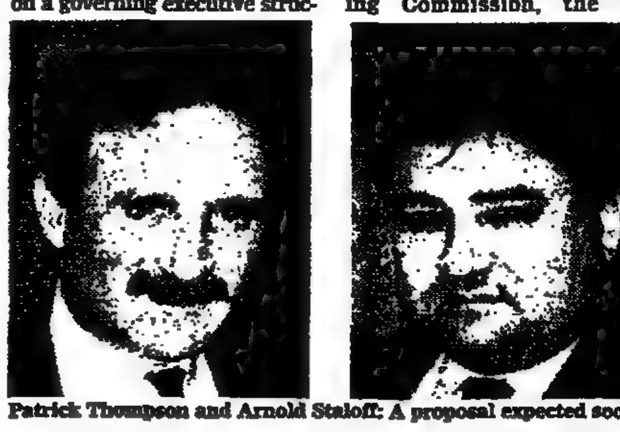
There has been much talk of a Nymex-Comex marriage in recent years, but current serious negotiations between New York's two largest commodity exchanges now seem to have brought the altar into sight. According to Mr Patrick Thompson, the Nymex president, final proposals could emerge in the next four to six weeks.

On the Comex side, Mr Arnold Staloff, the exchange's President and Chief Executive officer, says "the iron is hot now. . . we have to do something soon." He argues that a merger is important in public relations terms alone, pointing out that users of both exchanges fail to see why they should remain as separate entities. "Public opinion is important," he says.

More tangibly, the merger is designed to cut administrative overheads, pool research and development and contain, if not in some cases cut, trading costs on the merged exchange.

This, in turn, could underpin the competitiveness of the new exchange from the perspective of speculators, whose activities, unlike those of industry hedgers, are not necessarily wedded to specific exchanges.

Whether Nymex and Comex will finally be able to tie the marital knot will depend largely on their ability to agree on a governing executive structure acceptable to members of both exchanges. As Nymex's Mr Thompson points out, the governance of the merged exchange must reflect the contributions brought to it by the two markets.



Patrick Thompson and Arnold Staloff: A proposal expected soon

And here lies the rub. Relatively speaking the two exchanges have experienced substantially changed fortunes in recent years. During the 1980s Nymex threw off the memory of its failed potato futures contract, consolidated platinum futures trading and, most significantly of all, established a cluster of energy futures contracts, including crude oil.

The momentum of Nymex's energy developments is being maintained. Earlier this week the Commodities Futures Trading Commission, the US futures watchdog, approved Nymex's latest idea, a natural gas futures contract, which is now scheduled for launch on April 3. The contract could be another winner for Nymex, given estimates of potential gas industry hedge interest against a background of continuing gas price de-regulation in the US.

Industry interest in gas futures is "probably more than in any other contract we've ever had," says Mr Thompson.

In contrast Comex has continued to rely on its stalwart contracts – *copper, gold and silver* – which in 1989 contributed the lion's share of the 19.05m futures and options contracts traded on the exchange. Attempts to diversify the exchange's operations into, for example, financial futures were not successful. And even within metals futures, the market's traditional theatre of operations, Comex has faced difficulties.

Currently the exchange is wrestling with the future of its aluminium contract. Mr Staloff points out that broad aluminium industry support remains for the contract. However, reluctance to trade the contract stems from a lack of liquidity. This may partly reflect the contact size – 44,000 lbs – and consequently there are proposals afoot to halve its size.

Mr Staloff also says Comex is now looking to introduce a smaller-sized gold contract (the existing contract trades the metal in 100 troy ounce lots) designed to bring in business from smaller investors more traditionally associated with the securities industry.

Within the context of the merger talks the trick will be to agree an executive structure which reflects the current relative performances of the two exchanges. The final proposals must be agreed by two-thirds of the membership of both markets.

Various structures have been touted, including an executive board headed by a former Nymex official with a former Comex official as deputy. Added to this there could be a cluster of former Nymex and Comex executives on the board in a ratio of two to one in Nymex's favour and a small number of external members with no previous allegiance to either market.

And aside from the board structure, the exchanges are also thought to be considering some form of voting system which could block a board decision deemed unfavourable to, effectively, former Comex members.

Should Nymex and Comex finally agree to merge, the move could lead the way to integration with the other exchanges with whom they share floor space at New York's World Trade Center – the New York Futures Exchange, the New York Cotton Exchange and the New York Coffee, Sugar and Cocoa Exchange.

Indeed the exchanges are already jointly examining possible new trading sites elsewhere in Manhattan and also in New Jersey to escape the claustrophobic conditions which now prevail in the World Trade Center.

Alan Spence is Editor of World Commodity Report, a fortnightly publication produced by Financial Times Business Information

India seeks higher earnings from Assam tea

By **David Blackwell**

INDIA IS stepping up its drive to add value to tea exports with a UK marketing drive for tea from Assam, where the country's first tea bushes were *discovered growing wild in the 1830s*.

The move follows last year's introduction of a logo for Darjeeling tea to counter misbranding. Mr P. Bora, chairman of the Indian Tea Board, said in London this week that the Darjeeling campaign had stopped misuse of the name, won extra customers and *attracted higher prices*.

India is the world's biggest producer, consumer and exporter of tea, and has to balance growing domestic demand against its desire to earn hard cash for exports. The board is expecting a record crop of 720m kg this year, and believes it could be higher still. Of this about 495m kg is expected to be consumed domestically, leaving 225m kg for export.

Last year total Indian output fell to 686m kg from 1988's record 701m kg after drought in southern India reduced that region's crop by nearly 20 per cent to 151.8m kg. Nevertheless, the board pointed out, this was still the second highest crop from southern India.

World tea consumption is increasing by between 1.5 and 2 per cent a year, according to Mr Mumtaz Ahmad, a member *of the board's delegation to* London. "If we can put on 15m kg this year, we are keeping pace – we don't want to flood the market."

In volume terms exports are edging up. Last year the country exported 223m kg, compared with 222m kg in 1988 and 202m kg in 1987. But the value of exports has grown much faster, according to Mr Bora, as has the amount of tea exported in packet form. Last year, when world prices touched the highest levels for some time, exports earned the country 8.25bn rupees (£300m) compared with R6.52bn in 1988. Packet tea exports reached more than 71m kg in April to December last year, against *24.4m kg in the comparable* 1988 period.

Prices for tea have retreated this year. The price for medium tea at the London auction this week was 115p a kilogram, compared with 165p at the beginning of the year and 109p a year ago.

The board is convinced, however, that prices will not go *much lower, if only because of* the huge increase in offtake last year by the Soviet Union, which overtook the UK to become the world's biggest importer. It bought 220m kg of tea, compared with 140m kg the year before. The UK imported 191.5m kg. Maintenance of Soviet demand will continue to support prices, the board argues.

Mr Ahmad said that Indian productivity had to keep increasing if India was to continue both to meet export commitments and to satisfy its internal market, which each year takes an additional 15m kgs of tea. He pointed out that since 1967 the country had raised output by 75.2 per cent on an increase in hectarage planted of only 19 per cent.

While India is the biggest single consumer of tea in the world, *per capita consumption* remains low, according to Mr Ahmad. The board is promoting the use of CTC (crush tear and curl) teas which give 500 cups per kilogram compared with 250 cups from orthodox tea.

Mr Bora said the board was continuing to encourage increases in production with *loans for irrigation, machinery*, and replanting. In addition it was trying to encourage tea growing outside the areas traditionally associated with it.

The board is convinced that tea from Assam has a speciality value in Britain, and is determined to cash in on the general move among consumers towards quality products. In last year's exercise Darjeeling tea had to contain at least 60 per cent Darjeeling – but only 100 per cent Assam tea will be marked with the new logo.

"It will be worth having," said Mr Ahmad. "It will be like offering a straight malt instead of a blended whisky."

Venezuela's $750m farm programme

By **Joseph Mann** in Caracas

VENEZUELA'S President, *Carlos Andres Perez*, has announced that his Government will spend 33bn bolivars (about US$750m) on new agricultural development programmes by the end of 1993.

Speaking on the 30th anniversary of Venezuela's Agrarian Reform Law, Mr Perez said that $314m would be allotted to irrigation projects, $186m to *agricultural infrastructure*, $163m to improving the country's distribution and storage network, and $244m to providing rural housing.

He also announced that a new government financial institution, the National Agrarian Bank, would be created to supply low interest loans to the farming sector.

Despite large subsidies, official credits and huge sums of government money spent on Venezuelan agriculture over the last 15 years, the country still depends on imports for around half of its food.

Agricultural GDP fell by 5.7 per cent last year, according to government estimates.

WORLD COMMODITIES PRICES

MARKET REPORT

COFFEE prices continued to rise in London on concern over possible delays in Ivorian coffee shipments combined with heavy speculative chart buying. The market was also supported by *strong prices in New York*, where buying is tied to growing fears that tight supplies. Folgers Coffee, a major roaster, yesterday lifted its prices, further boosting New York sentiment. Traders were unsure whether the latest upward trend was going to be genuine or short-lived. "We must wait and see... One of these days there may be a reaction," said one. On the LME both lead and zinc continued Wednesday's strong advances in the face of tight nearby supplies. Copper prices were easier at the close, but found support in the afternoon from news that workers at Southern Peru Copper were threatening an indefinite strike from Monday. A strike could lead to "really serious supply problems," a leading London trader said. The market is already nervous over the possibility of a strike at Noranda's Horne smelter and the tight nearby situation on Comex which followed steady demand from the Japanese covering losses from the Bougainville copper mine, closed since May 1989.

Compiled from Reuter

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		
Dubai	$15.89-6.14	-0.60
Brent Blend	$18.92-8.98z	-0.25
W.T.I. (1 pm est)	$20.75-0.80z	-0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	+1
Gas Oil	162-164	-4.5
Heavy Fuel Oil	$86-88	-1
Naphtha	$174-176	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$401.25	+1.25
Silver (per troy oz)♣	517.00c	+3.00
Platinum (per troy oz)	$507.45	-1.20
Palladium (per troy oz)	$130.60	-1.65
Aluminium (free market)	$1505	+5.0
Copper (US Producer)	123⅝-127	-1⅝
Lead (US Producer)	46½c	
Nickel (free market)	415c	+10.0
Tin (Kuala Lumpur market)	16.62r	-0.27
Tin (New York)	295c	-4.00
Zinc (US Prime Western)	70¼c	
Cattle (live weight)†	111.88p	+0.42*
Sheep (dead weight)†	223.16p	+11.6*
Pigs (live weight)†	98.75p	+3.11*
London daily sugar (raw)	$365.4x	+3.2
London daily sugar (white)	$432.0x	+1.0
Tate and Lyle export price	£337.0	+1.0
Barley (English feed)	£109.5	
Maize (US No. 3 yellow)	£128.0	+0.5
Wheat (US Dark Northern)	£131	
Rubber (Apr)♥	56.25p	-0.25
Rubber (May)♥	57.00p	-0.25
Rubber (KL RSS No 1 Mar)	232.0m	-0.50
Coconut oil (Philippines)§	$365t	
Palm Oil (Malaysian)§	$300.0w	+10.0
Copra (Philippines)§	$265	
Soyabeans (US)	£163.0	-1.5
Cotton "A" Index	79.80c	+0.3
Wooltops (64s Super)	563p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	**Close**	**Previous**	**High/Low**	
May	343.40	333.60	344.00	332.20
Aug	341.00	332.60	340.40	331.40
Oct	329.00	323.00	329.00	321.00
Mar	303.20	302.00	304.00	[illegible]
White	**Close**	**Previous**	**High/Low**	
May	436.5	429.4	439.0	428.0
Aug	436.0	429.0	432.0	428.5
Oct	405.0	399.5	401.0	396.0
Dec	391.0	382.5	385.5	
Mar	385.5	377.9	383.0	378.0

Turnover: Raw 5419 (5076) lots of 50 tonnes. White 2088 (2077)
Paris- White (FFr per tonne): May 2460, Aug [illegible], Oct [illegible], Dec [illegible], Mar [illegible], May [illegible]

CRUDE OIL – IPE			$/barrel	
	Latest	**Previous**	**High/Low**	
Apr	18.95	19.19	19.08	18.82
May	19.04	19.23	19.07	18.90
Jun	19.06	19.21	19.09	18.98
Jul	19.04	19.10	19.07	18.95
IPE Index	19.34	19.41		

Turnover: 11696 (11169)

GAS OIL – IPE			$/tonne	
	Latest	**Previous**	**High/Low**	
Mar	167.50	170.50	170.75	167.25
Apr	161.50	164.00	163.50	160.25
May	159.25	162.00	161.50	158.50
Jun	159.25	161.00	159.25	158.25
Jul	160.25	161.75	159.25	
Aug	161.00	163.50	161.00	160.00

Turnover 12226 (7332)lots of 100 tonnes

FRUIT & VEGETABLES
There are plenty of fruit bargains available this week, reports FFVIB. Plums are a good buy at 70p-£1.40 a lb (80p-£1.40). Apples are superb value with Cox's at 40-60p (40-60p). French Golden Delicious at 35-50p (35-50p). *Juicy oranges at 8-60p each (8-15p) are* abundant. Homegrown carrots at 15-20p (15-20p) are a great buy this week. Parsnips at 25-40p (25-40p) and onions at 14p-£2.00 (14p-£2.00) are superb quality. Celery at 35-65p (35-65p) a head, and iceberg lettuce at 55p-£1.25 (55-£1.25) are excellent value.

COCOA – London FOX			£/tonne	
	Close	**Previous**	**High/Low**	
Mar	697	687	696	691
May	713	705	713	700
Jul	726	719	726	716
Sep	740	734	740	731
Dec	761	755	762	755
Mar	785	777	785	773
May	802	798	802	798

Turnover: 5096 (3884) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 7 850.44 (859.05) 10 day average for Mar 8 828.57 (834.24)

COFFEE – London FOX			£/tonne	
	Close	**Previous**	**High/Low**	
Mar	730	717	735	720
May	749	736	754	735
Jul	740	736	745	733
Sep	750	742	754	739
Nov	760	751	764	750
Jan	767	761	772	768

Turnover: 9509 (10001) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 7: Comp. daily 80.27 (79.82). 15 day average 72.50 (71.60)

POTATOES – BFE			£/tonne	
	Close	**Previous**	**High/Low**	
Apr	167.5	174.0	172.5	164.6
May	202.0	210.0	208.0	197.5

Turnover 829 (583) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne	
	Close	**Previous**	**High/Low**	
Apr	126.00	125.00	126.00	
Jun	121.50	121.00	121.50	
Aug	[illegible]	121.00	122.00	121.50
Oct	124.00	124.00	124.50	124.00

Turnover 75 (1501) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	**Previous**	**High/Low**	
Mar	1640	1644	1640	1634
Apr	1653	1650	1650	1645
Jul	1388			
Oct	1481	1485		
BFI	1622	1618		

Turnover 147 (74)

GRAINS – BFE			£/tonne	
Wheat	**Close**	**Previous**	**High/Low**	
Mar	110.65	111.80	111.00	110.40
May	113.35	114.15	113.80	113.25
Jun	116.20	116.15	[illegible]	[illegible]
Barley	**Close**	**Previous**	**High/Low**	
Mar	104.50	104.70	104.50	104.50
May	106.00	106.50	106.00	
Sep	103.60		103.60	
Nov	107.10		107.10	107.00
Mar	112.60		[illegible]	[illegible]

Turnover: Wheat 225 (362), Barley 30 (86).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg	
	Close	**Previous**	**High/Low**	
Apr	119.0	119.0	118.5	118.0
Jun	118.5	119.0	119.0	
Oct	119.0	119.0	118.5	

Turnover 113 (93) lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 43,225 tonne
Cash	1512-4	1504-6	1509	1508-9		
3 months	1517-8	1513-4	1525/1499	1512-4	1515-6	15,484 lots
Copper, Grade A (£ per tonne)						Ring turnover [illegible] tonne
Cash	1594-5	1587-8	1599/1588	1569-70		
3 months	1559-60	1551-2	1563/1540	1545-6	1559-6	8,423 lots
Lead (£ per tonne)						Ring turnover 20,300 tonne
Cash	670-5	607-10	665/580	665-7		
3 months	482-3	480-1	500/480	490-1	486-90	120 lots
Nickel ($ per tonne)						Ring turnover 1,812 tonne
Cash	8800-900	8900-50	8950	8950-75		
3 months	8700-50	8715-25	9000/8850	8700-25	8650-700	169 lots
Tin ($ per tonne)						Ring turnover 505 tonne
Cash	6310-25	6370-80		6270-5		
3 months	6430-40	6500-10	6450/6400	6395-405	6420-30	0 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 20,275 tonne
Cash	1655-65	1597-602	1665/1660	1670-80		
3 months	1540-2	1510-2	1550/1505	1545-7	1595-7	1,964 lots
Zinc ($ per tonne)						Ring turnover 1,550 tonne
Cash	[illegible]	1610-20		1675-85		
March 30	1600-10	1595-605	1675	1620-30		0 lots

LME Closing £/$ rate: SPOT: 1.6435 3 months: 1.6170 6 months: 1.5987 9 months: 1.5856

LONDON BULLION MARKET		
Gold (fine oz)	**$ price**	**£ equivalent**
Close	401-401½	244-244½
Opening	401½-402	243½-244
Morning fix	401.40	[illegible]
Afternoon fix	400.70	243.865
Day's high	401¾-402¼	
Day's low	400½-401	
Coins	**$ price**	**£ equivalent**
Mapleleaf	410-415	249½-252½
Britannia	410-415	249½-252½
US Eagle	410-415	249½-252½
Angel	410-415	249½-252½
Krugerrand	400-403	243½-245½
New Sov.	94-96	57-58½
Old Sov.	94-96	57-58½
Noble Plat	513.25-521.45	311.65-316.00
Silver fix	**p/fine oz**	**US cts equiv**
Spot	311.90	514.00
3 months	323.75	524.90
6 months	335.80	536.05
12 months	360.15	559.35

TRADED OPTIONS

Coffee	May	Jul	May	Jul
700	83	77	17	37
750	36	52	36	62
800	18	34	70	94
Cocoa	**May**	**Jul**	**May**	**Jul**
650	65		6	
700	33	52	21	27
750	13	26	51	53
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900		36		40
1950	20	19		
2000		7		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	**Previous**	**High/Low**	
Apr	401.8	402.3	403.9	401.8
Jun	407.3	407.7	409.3	407.0
Aug	413.2	[illegible]	414.4	413.0
Oct	418.0	418.2	419.0	418.0
Dec	422.7	423.3	424.8	422.7
Feb	428.5	428.7	429.5	

PLATINUM 50 troy oz; $/troy oz.				
	Close	**Previous**	**High/Low**	
Apr	505.5	508.7	511.8	505.0
Jul	510.5	512.2	516.9	510.5
Apr	534.0	531.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	**Previous**	**High/Low**	
Mar	511.2	512.2	515.0	513.0
Apr	513.6	515.0	0	0
May	517.8	519.0	522.5	517.5
Jul	526.1	527.2	530.5	525.5
Sep	534.6	535.7	539.0	537.5
Dec	546.2	547.4	550.0	546.0
Jan	549.8	550.9	0	0
Mar	558.2	559.3	562.0	559.0
May	566.3	567.4	0	0
Jul	574.7	575.8	578.0	575.5

INDICES

REUTERS (Base: September 18 1931 = 100)			
Mar 8	Mar 7	mnth ago	yr ago
[illegible]	1902.6	1773.4	1997.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Mar 7	Mar 6	mnth ago	yr ago
Spot	132.96	132.59	128.56	138.52
Futures	134.64	134.41	129.99	141.05

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Mar	121.20	119.80	121.30	120.50
Apr	117.80	116.55	117.80	117.30
May	115.80	114.85	116.10	115.00
Jun	112.70	112.60	0	0
Jul	111.60	110.85	111.70	110.80
Aug	109.65	108.75	0	0
Sep	107.60	106.50	107.50	106.90
Oct	106.40	105.70	0	0
Nov	105.20	104.60	0	0
Dec	104.00	103.50	104.00	103.60

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	**Previous**	**High/Low**	
Apr	20.76	20.93	20.94	20.66
May	20.99	21.17	21.11	20.89
Jun	21.09	21.29	21.23	21.02
Jul	21.08	21.26	21.20	21.01
Aug	20.96	21.11	21.07	20.89
Sep	20.84	20.98	20.93	20.75
Oct	20.80	20.91	20.87	20.70
Nov	20.74	20.89	20.80	20.69
Dec	20.70	20.85	20.78	20.65
Jan	20.70	20.83	[illegible]	20.66

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	**Previous**	**High/Low**	
Jun	5365	5410	5405	5350
Sep	5550	5583	5570	5520
Dec	5785	5758	5800	5755
Jan	5820	5778	5835	5800

COCOA 10 tonnes/$/tonnes				
	Close	**Previous**	**High/Low**	
Mar	1125	1095	1125	1090
May	1098	1063	1107	1064
Jul	1109	1075	1115	1074
Sep	1117	1089	1127	1089
Dec	1145	1114	1155	1115
Mar	1165	1138	1165	1148
May	1178	1162	1185	1170
Jul	1185	1166	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Mar	102.50	101.88	104.25	102.50
May	102.17	102.68	104.75	102.10
Jul	103.85	104.14	106.00	[illegible]
Sep	104.96	105.77	107.40	104.75
Dec	106.90	107.90	109.40	106.50
Mar	110.00	110.00	112.00	110.90
May	110.00	111.00	0	0
Jul	116.00	113.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
May	15.57	15.06	[illegible]	15.12
Jul	15.38	14.95	15.38	15.05
Oct	14.78	14.40	[illegible]	14.56
Mar	[illegible]	13.72	13.86	13.75
May	13.85	13.50	0	0
Jul	13.65	13.50	0	0

COTTON 50,000; cents/lbs				
	Close	**Previous**	**High/Low**	
Mar	71.30	70.75	72.00	71.00
May	72.05	72.02	72.35	71.81
Jul	72.48	72.57	72.90	72.23
Oct	67.00	67.05	67.10	67.00
Dec	65.60	65.70	65.90	65.52
Mar	[illegible]	66.40	66.50	66.35
May	67.10	66.96	67.10	67.00

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Mar	190.65	191.25	191.20	190.00
May	192.90	193.75	193.60	192.00
Jul	190.20	191.00	190.80	189.60
Sep	184.90	186.25	184.90	[illegible]
Nov	177.05	178.95	178.50	177.05
Jan	172.50	[illegible]	173.50	171.00
Mar	172.00	172.55	172.00	

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	**Previous**	**High/Low**	
Mar	582/0	578/6	582/0	575/0
May	595/0	590/4	595/0	586/0
Jul	606/0	602/6	606/0	600/4
Aug	612/0	607/0	612/0	604/4
Sep	612/0	607/0	612/0	605/0
Nov	619/0	612/4	619/0	610/6
Jan	629/0	622/2	629/0	620/4
Mar	638/0	632/0	638/0	630/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	**Previous**	**High/Low**	
Mar	22.18	22.12	22.57	22.02
May	22.28	22.23	22.62	22.06
Jul	22.20	22.26	22.57	22.08
Aug	22.00	22.00	22.30	21.90
Sep	21.70	21.87	22.00	21.60
Oct	21.40	21.45	21.65	21.40
Dec	21.27	21.32	21.60	21.18
Jan	21.15	21.12	21.40	21.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	**Previous**	**High/Low**	
Mar	165.8	163.3	165.8	162.0
May	170.2	167.5	170.2	166.3
Jul	174.8	172.4	175.2	171.2
Aug	177.3	174.6	177.3	173.7
Sep	178.8	176.8	178.8	176.2
Oct	181.5	178.7	181.5	178.5
Dec	185.5	182.8	185.5	182.0
Jan	188.0	184.7	187.0	184.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	**Previous**	**High/Low**	
Mar	242/6	243/0	243/2	241/6
May	249/6	249/2	250/0	248/0
Jul	254/4	253/6	254/6	252/0
Sep	253/0	252/0	253/2	250/4
Dec	252/6	250/4	252/6	248/6
Mar	258/6	256/6	258/6	255/0
May	261/0	259/0	261/0	258/4

WHEAT 5,000 bu min, cents/60lb-bushel				
	Close	**Previous**	**High/Low**	
Mar	383/0	381/0	384/4	380/0
May	355/2	353/0	355/4	352/0
Jul	341/4	339/0	342/2	337/6
Sep	348/0	346/2	348/4	345/0
Dec	360/4	358/2	360/4	357/0
Mar	369/0	365/4	369/0	366/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Apr	77.27	76.67	77.30	76.62
Jun	72.30	71.47	72.37	71.42
Aug	72.07	71.37	72.10	71.30
Oct	73.80	73.25	73.85	73.22
Dec	74.22	73.67	74.25	73.70
Feb	74.10	73.60	74.10	73.85

LIVE HOGS 30,000 lb; cents/lbs				
	Close	**Previous**	**High/Low**	
Apr	52.07	51.42	52.17	51.25
Jun	56.67	56.05	56.85	55.90
Jul	56.27	55.82	56.35	55.60
Aug	53.97	53.40	54.20	53.42
Oct	48.32	47.90	48.40	47.80
Dec	48.72	48.50	48.75	48.40
Feb	48.32	48.07	48.32	47.95
Apr	46.00	45.95	46.05	46.00

PORK BELLIES 40,000 lbs; cents/lb				
	Close	**Previous**	**High/Low**	
Mar	52.27	50.27	52.27	50.40
May	53.25	51.32	53.32	51.35
Jul	53.42	51.67	53.67	51.75
Aug	51.80	50.05	52.05	50.35
Feb	57.27	56.90	57.70	56.60
Mar	57.50	56.95	57.70	56.95

هكذا أمند الأصل

LONDON STOCK EXCHANGE

Marketmakers caught short of stock

THE REBOUND in UK equities was taken a stage further yesterday and share prices rose sharply when some marketmakers were caught unawares by another round of selective bargain-hunting by the big institutions. A continuing flow of good trading results from the engineering sector and a steadier trend in Government bonds helped rebuild market confidence. But prices came off the top at the close when sterling was shading lower again after showing strength for most of the session.

"It was a difficult day to get a handle on," commented a trader at Paribas Capital Markets. Seaq volume at 436.7m compared with 415.3m in the previous session and there were sharp advances in some areas. But turnover in some of the day's best performers, notably in the insurance sector, was thin.

Account Dealing Dates			
*First Dealings:	Feb 26	Mar 12	Mar 26
Option Declarations:	Mar 8	Mar 22	Apr 5
Last Dealings:	Mar 9	Mar 23	Apr 6
Account Day:	Mar 19	Apr 2	Apr 17

*New time dealings may take place from 8.00 am two business days earlier

The FT-SE Index, 24 points up at best, closed a net 19.7 higher at 2,250.0 exactly, with 18 of the Footsie 100 stocks showing losses when the Seaq reporting network closed down for the day.

With both New York and Tokyo turning in calm performances overnight, London marketmakers expected the UK market to open steadily around the Footsie 2,230 benchmark level regained on Wednesday. But investors had other ideas, and they began to close bear positions ahead of the end of the equity trading account at 3.30 this afternoon.

The initial firmness in the pound encouraged hopes that the shakeout in equities, prompted by currency weakness reflecting the UK Government's political difficulties over local taxation, had run its course, especially since the Footsie 2,200 level had again proved a convincing support area.

There was little response to the latest Confederation of British Industries survey of retail trade, showing slower sales growth in February. But corporate news continued on a favourable trend. Good profits from TI, following similar news from GKN on Wednesday, and the disclosure that Sir Ron Brierley intends to urge Vickers, in which he holds an 18.2 per cent stake, to demerge the Rolls-Royce motors division, kept the engineering sector moving forward.

Brewery stocks, already excited by the prospect that Carlsberg, the Danish lager group, may acquire a British brewer, responded favourably to a deal between Elders IXL and Grand Metropolitan under which the Australian group will buy GrandMet's brewing interests – thus removing it from the market's list of possible targets for Carlsberg.

Overall, market strategists sounded cautious in assessing yesterday's advance in the equity market, pointing to the unexciting level of turnover and the trimming of share gains in the final hour of the trading session.

Brewing deal in the offing

Grand Metropolitan was in the vanguard of the market's rise on news that it was close to completing a deal with Elders IXL which would include the sale of its breweries and brands. Analysts said the price rose largely on relief that the company was not going to take a stake in Elders – the deal should net more than £350m in cash.

GrandMet climbed 20 at one stage but settled by the close at 560p, up 11 on the day. Volume was a busy 4.8m shares traded.

Analysts interpreted the announcement as meaning that GrandMet was not in the running to conclude a deal with Carlsberg, which said on Wednesday that it wanted to buy a brewery in the UK. Views differed yesterday on which British company might be bought. Analysts came up with convincing arguments to rule out Bass, Whitbread and Scottish and Newcastle. The shares fell a penny to 925p, 2 to 377p and 3 to 297p respectively.

Of second-liners with lager breweries that might interest Carlsberg, Vaux, up a penny at 249p, was deemed by one analyst to be a more credible candidate than Greenall Whitley, 8 better at 321p. However any agreement to be found among analysts was that Allied Lyons was the strongest possibility. The shares rose 7 to 440p, although part of the strength was ascribed to the company's City presentation on its food businesses the previous day.

TI pleases

TI Group advanced as it reported a 31 per cent increase in profits to £111.5m for 1989, substantially above predictions. The market was surprised by the inclusion of £6.7m resulting from a pension holiday and which boosted profits, but traders remained pleased with the results. The shares added 22 to 460p, although they later gave back ground as profit-takers moved in. At the close, the price was a net 20 up at 458p.

Mr Mark Wright at Hoare Govett said: "The figures show that the underlying performance is strong and margins are moving in the right direction." He predicted profits of £124m in 1990, and around £135m in 1991.

But another analyst countered: "It is very difficult to appreciate the underlying level of profitability at TI because of the scale of reorganisation costs, such as the £54m taken in 1989, and a similar level of charge anticipated in 1990."

The composites and several of the leading life insurers moved ahead, recovering from the losses posted after the recent bad weather in the UK. Legal & General added 11 to 383p as the bulls at County NatWest continued to buy. Legal's final results next Friday also prompted interest. Profit forecasts range from £130m to £147m, against £142.6m last time. The wide range is due to division among analysts as to whether a special life bonus will be paid.

Prudential rose 5 to 204p as Smith New Court reiterated its buy recommendation. "A very attractive long-term prospect," said Mr Roman Cizdyn of Smith. Among the composites, Sun Alliance gained 7 to 298p, while General Accident added 15 to 1033p.

Abbey National remained a firm market following recent presentations in the Far East and in London. Abbey added 2 at another all time high of 194p, with dealers also citing a bear squeeze as a reason for the day's advance. The other clearing banks were quiet, with NatWest and Barclays 1p up at 342p and 586p.

The water stocks continued to recover from their recent shakeout, although the recovery in prices was small and turnover unimpressive. The Water Package, the favoured vehicle for investors seeking a spread of holdings, advanced from £1565 to £1573.

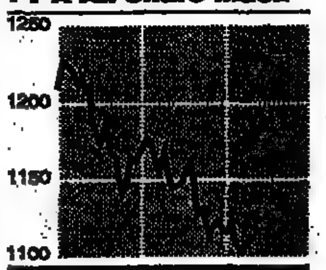
Severn Water (145p), continued to find buyers from the ranks of those deserting water companies facing increased costs because of UK Government curbs on North Sea sewage dumping.

Even Thames Water, which has admitted facing increased capital costs of between £70m and £100m in respect of the dumping curbs, edged firmer to 153p, although traders sounded unimpressed by the level of business. Northumbrian also improved to a close of 170p.

P & O steadied after a sharp dip late on Wednesday. Hoare Govett said it had placed more than half of a line of 5m P&O shares – at a mid-price of about 580p – which had been overhanging the market. The shares closed 2 lower at 580p as Seaq recorded turnover of 9.7m.

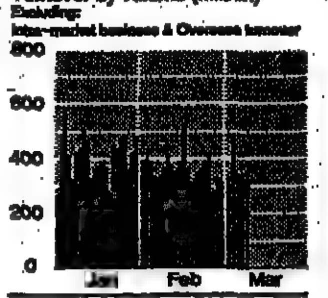
Ocean, formerly Ocean Transport and Trading, firmed 3 to 320p as marketmakers suggested the company's waste processing division was in a good position to benefit from the more stringent controls to be imposed by the UK over dumping of sewage sludge in the North Sea.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Chemical shares had a quiet day. At Smith New Court, the chemical analysts' team predicted good figures from most shares in the sector: in particular the team expects increases in pre-tax profits of about 38 per cent from Hickson, 34 per cent at Canning and 28 per cent at Vita. Dividend increases in the sector will also be healthy, according to the Smith New Court analysts.

Overnight selling of ADRs in the US and continued talk of downgradings made Racal Electronics a dull market. The shares gave up 8 to 214p, while twin Racal Telecom suffered from the sentiment and closed 12 down at 371p.

A squeeze following the previous day's good results helped to benefit BICC and the shares added another 9 at 431p. Profit takers following recent firmness were reported around Ferranti and the close was ½ easier at 39½p.

Siebe gained 13 to 440p as the company made presentations to investors in Scotland. The shares were also said to have benefited from sentiment surrounding TI. Siebe also derives a large part of its profits from overseas.

A squeeze was reported in Lucas where the shares added 15 to 595p. Schroder Securities has just completed a positive 31 page review on the company due to land on investors tables at the weekend. Schroder believes "Quality of earnings, as measured by Lucas's ability to sustain profits growth in difficult market environments, is one of the company's least recognised assets."

Strong buying interest, much of it from the US, lifted Rolls-Royce. The shares added 4 at 174p, as 6m changed hands.

Vickers spurted 17 to 214p as Sir Ron Brierley, who heads 18.2 per cent stake-holder IEP Securities, was reported to be doing the rounds trying to explain to City analysts his proposals to demerge Rolls-Royce Motors from Vickers. Analysts still think a bid for Vickers from IEP unlikely at this stage and one analyst said: "Demerging Rolls-Royce from Vickers is unlikely to realise shareholder value which has always been the company's objective."

The previous day's good figures continued to bolster GKN and the shares added 4 to 402p.

The market was unimpressed by the 33 per cent increase in 1989 profits to $290.4m from ADT and the shares gave up 6 to 190p

The shares had climbed steadily ahead of the figures but as one trader said: "These figures are nothing exceptional.

Christies International added 16 to 336p as ADT announced it had increased its holding in the company from 9.4 per cent to 10.5 per cent. But analysts are not yet convinced this is the begining of a bid for Christies and one said: "ADT has taken stakes in companies before but I don't think it is ready to launch a bid. Anyway, Christies is not the sort of business for which you can make a hostile bid."

Sketchley recovered some of its recent falls as Compass Group launched a £106m offer for the company. The shares gained 24 to 273p.

Compass is offering four Compass shares for every five Sketchley shares. Dealers expect the offer to succeed. Compass closed 30 down at 335p.

Full-year profits slightly ahead at £25.5m from Antofagasta failed to inspire the market, and the shares fell 35 to 570p.

Wednesday's recommendations for Rothmans by analysts at BZW and S. G. Warburg continued to help the stock, which closed 9 higher at 631p.

Coats Viyella turned in full year profits a shade ahead at £137.4m and cautioned that "the UK remained difficult with high interest rates and strong sterling contributing to a poor trading environment." But the shares were nevertheless marked 4 higher to 132p.

Speykawk fell 13 to 278p on scattered talk of a rights issue, while Rosehaugh lost 14 to 231p on suggestions that a line of nil paid stock had been offered to the market.

Asda added ¼ to 109p as a heavy 8.2m shares changed hands. Dealers said the market had managed to hold steady despite Wednesday's late news that the Belzberg Brothers of Canada had reduced their holding. Dealers said the market was supported as it became clear that a line of 3.3m shares had been picked up by institutions. Mr Philip Dorgan of Goldman Sachs said the Belzberg brothers were unlikely to launch a bid and were now "largely irrelevant" to Asda's share price.

Berisford International added 8 to 115p as dealers decided that the worries earlier in the week about its exposure to the New York property market might have been overdone.

Ladbroke posted a 20 per cent improvement in full-year profits to £302.2m, but the shares slipped against the trend to 287p, down 4 on the day.

TVS Entertainments continued to benefit from the return of Mr David Quayle to its board. The shares added another 7 at 114p. Mr Quayle is credited with having guided TVS to its first franchise a decade ago.

Trade in STC was helped by a buy recommendation from Kitcat & Aitken. The shares added 9 to 264p in turnover of 3.4m shares. Kitcat said: "Although growth this year will not be exciting, we expect an improvement in 1991 of over 7 per cent. STC is strategically well positioned in the markets it serves and for the restructuring of the computer industry, and has a strong balance sheet."

Body Shop bounced after a prolonged fall, as a trickle of bargain-hunters struggled to find sellers. The shares advanced 26 to 470p.

LASMO had a good day responding to a North Sea oil discovery by Phillips Petroleum in which LASMO has a 8.52 per cent interest in the block. The shares rose 9 to 611p. "Another example of how LASMO's success rate is keeping up," said one analyst.

Enterprise Oil slipped 5 to 616p on renewed vague worries that ICI might soon place its 25 per cent stake in the company. Around £8 is the placing price usually mentioned.

Notices of dearer aggregate prices continued to stimulate demand for Redland which rose for the third successive session. Traders felt sure the shares, up 13 more at 548p, would remain to the fore until announcement of the annual results, expected towards the end of the month. BZW recommends investors be long-term overweight in the stock and is looking for profits of £250m, compared with last year's £221.5m.

Building materials supplier Steetley also found support ahead of year-end figures, due on March 27, and closed 9 up at 366p. Baggeridge Brick, however, weakened as market estimates of likely profits were slashed by some 30 per cent to around £4.5m. The shares ended 13 down at 111p.

Cement producers fared better with RMC gaining 14 to 645p and Rugby rising 7 to 169p; the latter's preliminary profit statement is scheduled for March 19 and profits are forecast within the £84m to £88m range.

Pre-results comment beckoned investors to George Wimpey and the shares responded 3 to 235p. Hoare Govett expects the construction group to announce next Tuesday profits of around £140m, which represents a slight fall on the previous year's £144.5m. Higgs & Hill was one of the sector's few losers, closing a further 9 lower at 381p; "the bid premium is disappearing fast," said a marketmaker.

■ Other Market statistics, including the FT-Actuaries share index, Page 27

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (18). BRITISH FUNDS (1) CANADIANS (1) BANKS (1) ELECTRICALS (1) INDUSTRIALS (2) Baris, Christies Intl., INSURANCE (1) TRANSPORT (2) TRUSTS (1) OILS (3) PLANTATIONS (1) MINES (1).
NEW LOWS (88). INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) CORPORATION LOANS (2) CANADIANS (1) BANKS (3) BREWERS (2) BUILDINGS (4) CHEMICALS (2) STORES (5) ELECTRICALS (6) ENGINEERING (7) FOODS (5) HOTELS (2) INDUSTRIALS (15) Aaronson Bros., BSS, Bestwood, Bridport-Gundry, CH Inds., Cargo Control, Granada 7½pc Cv., Harding, Kitty Little, [illegible], Inds., Norton, Optometrics, Select Appointments, Spong, Whitlaw, Worcester, Young (H), LEISURE (6) NEWSPAPERS (2) PAPERS (3) PROPERTY (7) TEXTILES (2) TRANSPORT (2) TRUSTS (6) OILS (2) PLANTATIONS (1) MINES (1) THIRD MARKET (8).

FINANCIAL TIMES STOCK INDICES

	Mar 8	Mar 7	Mar 6	Mar 5	Mar 2	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	77.79	77.70	77.53	77.88	78.60	88.78	89.29 (8/2/89)	77.53 (6/3/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.19	87.41	87.41	88.12	88.64	99.26	99.59 (16/3/89)	87.19 (8/3/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1774.4	1757.0	1745.7	1755.6	1774.2	1714.1	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	283.5	286.5	282.8	276.5	283.5	181.5	378.5 (8/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2250.0	2230.3	2216.0	2230.5	2254.8	2085.2	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.97	5.03	5.02	5.00	4.95	4.42				
Earning Yld %(full)	11.70	11.82	11.88	11.81	11.70	10.81				
P/E Ratio(Net)(☆)	10.33	10.23	10.18	10.24	10.34	11.18				
SEAQ Bargains(5pm)	26,806	24,187	25,150	24,203	21,915	32,234				
Equity Turnover(£m)†	-	762.60	732.58	653.19	1078.34	1148.60				
Equity Bargains†	-	22,384	25,977	23,845	22,587	35,984				
Shares Traded (ml)†	-	353.1	344.5	341.2	472.4	481.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.27

Ordinary Share Index, Hourly changes — Day's High 1777.2 — Day's Low 1766.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1766.7	1768.4	1776.7	1771.7	1775.6	1776.2	1776.0	1773.7

FT-SE, Hourly changes — Day's High 2254.7 — Day's Low 2240.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2240.9	2245.3	2249.0	2249.0	2252.9	2253.5	2253.1	2249.4

GILT EDGED ACTIVITY

Indices*	Mar 7	Mar 6
Gilt Edged Bargains	85.2	106.3
5 – Day average	89.9	91.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index. Tel 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	[illegible]	190	-6	Comm. Union	653	475	+2	LASMO	556	611	+9	[illegible]	1,500	471	+7½
ASDA Group	8,150	109	+½	Cookson	1,500	230	+7	Lonrho	1,300	269	+3	Siebe	1,100	440	+13
Abbey National	6,800	194	+2	Courtaulds	1,700	367	+9	Lucas	671	595	+15	Slough Ests	198	283	+2
Allied-Lyons	2,700	440	+7	Dalgety	136	380	+12	MB Group	24	201	+2	Smith (W.H.) A	380	295	+5
Amstrad	667	51	+1	Dixons	417	129	+7	MEPC	240	490	+4	Smith & Nephew	880	121½	+1½
Argyll Group	3,000	208	+2	Eng. China Clays	1,000	378	+10	Marks & Spencer	2,400	199	+1	SmithKline Beecham	946	535	+5
Ass. Brit. Foods	62	385	+1	Enterprise Oil	998	616	-5	Maxwell Comm.	70	197	-1	SmKl Beecham Units	71	2380	-10
BAA	203	390		FKI	871	81	+5	Mecca Leisure	290	144		Smiths Inds	2,800	246	+7
BAT Inds.	[illegible]	805	+8	Ferranti	3,530	39½	-½	Midland Bank	431	328	-1	Standard Chart.	85	573	
BET	4,000	231	+7	Fisons	479	324	+3	NatWest Bank	714	342	+1	Storehouse	1,800	118	
BICC	775	431	+9	[illegible]	153	1033	+15	Next	662	104	+1	Sun Alliance	402	298	+7
BOC	835	615	-4	General Elect.	4,200	213	+1	Northern Foods	146	289	+4	Sun Life	85	1185	+12
BPB Inds.	3,200	226	-2	Glaxo	1,300	700	+10	Pearson	223	680	-1	T&N	795	199	+3
BTR	1,700	418	+9	Globe Inv.	646	179	+2½	P & O	9,700	580	-2	TI Group	2,200	458	+20
Barclays	[illegible]	586	+1	Glynwed Intl.	672	225	+1	Pilkington	414	210	+4	TSB	1,300	135	-1
Bass	670	925	-1	Granada	2,100	277	+3	Polly Peck Intl.	4,875	385	+6	Tarmac	1,900	223	+1
Beazer	917	140	+5	Grand Met.	4,800	560	+11	Prudential	2,300	204	+5	Tate & Lyle	775	297	
Berisford Intl.	773	115	+8	GUS A	847	1008	+16	RHM	478	387	+3	Taylor Woodrow	297	264	+2
Blue Arrow	1,200	50½		GRE	950	228	+1	RMC	888	645	+14	Tesco	2,700	201	+3
Blue Circle	1,800	221½	+2½	GKN	871	402	+4	RTZ	1,300	533	+4	Thames Water	1,400	153½	+1½
Boots	1,000	268	+2	Guinness	1,500	646	+5	Racal	5,400	214	-8	THORN EMI	188	680	+9
Brit. & Comm.	6,000	58	+4	Hammerson A	410	705	+17	Racal Telecom	872	373	-10	Trafalgar House	481	326	+3
Brit. Aerospace	899	480	+8	Hanson	7,300	234½	+5	Rank Org.	334	767	+9	[illegible]	642	267	
[illegible]	1,100	198	+1	Hanson Warrants	704	69	+2	Reckitt & Colman	42	1129	+4	Ultramar	2,300	387	+3
British Gas	3,300	214½	+3	Harrisons Cros.	993	148		Redland	919	548	+13	Unigate	2,200	259	-1
British Land	4	340	+1	Hawker Sidd.	371	814	+6	Reed Intl.	1,600	383	+8	Unilever	818	644½	+8½
BP	2,700	341	+2	Hillsdown	1,300	295	+4	Reuters	946	1037	-6	United Biscuits	639	338	+6
British Steel	2,200	137½	+½	IMI	390	215	+5	Rolls Royce	6,000	174	+4	Utd. Newspapers	659	344	-3
British Telecom	3,800	277	+½	ICI	665	1103	+6	Rothmans	216	631	+9	Wellcome	193	686	-3
Bunzl	278	163		Inchcape	330	361	+2	Ryl Bk Scotland	849	194	-2	[illegible]	362	317	-2
Burmah Oil	331	813	+11	Kingfisher	68	396	+1	Royal Insurance	890	487	+9	Williams Hdgs.	120	246	+3
Burton	797	178	-1	Ladbroke	4,700	287	-4	STC	3,150	264	+9	Willis Faber	460	268	
Cable & Wire.	3,000	[illegible]	-3	Land Securities	1,000	475	+5	Saatchi	1,300	139		Wimpey	308	225	+5
Cadburys	949	320	+6	Laporte	46	495	+2	Sainsbury	451	291	+4				
Calor Group	770	323	+8	Legal & General	731	383	+11	[illegible]	1,800	297	-3				
Carlton Comms.	780	736	+10	Lloyds Abbey	282	309		Sears	3,000	102	+½				
Coats Viyella	2,600	132	+4	Lloyds Bank	1,000	284	+3	Sedgwick	243	287	+1				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

APPOINTMENTS

New role at NatWest Bank

Mr Peter G. Newman has been appointed to the new post of deputy general manager, group treasury and capital markets, at NATIONAL WESTMINSTER BANK. He was director of corporate banking, UK.

■ FLOATING POINT SYSTEMS U.K., Bracknell, has appointed Mr Malcolm Padina as vice president, European operations. He was managing director, UK, Prime Computer.

■ Mr S.L.Gray has been appointed a director of C.T. BOWRING REINSURANCE.

■ Mr Nick Dyne has been appointed managing director of BROADCAST COMMUNICATIONS (CORPORATE).

■ Mr John Goodeve-Docker has been appointed managing director of CAMTEC ELECTRONICS, part of Hunting. He was marketing director of Datapoint UK.

■ LOVELL HOMES (SCOTLAND), Glasgow, has appointed Mr John Brockes as managing director. He was group company secretary, and takes over from Mr Bill Ferguson who is moving to Lovell Homes Southern, High Wycombe, as financial director. Mr Trevor West, group finance director, additionally becomes company secretary, with Mr Harry Smith, group financial controller, additionally becoming deputy company secretary.

■ HICKSON INTERNATIONAL, surface coatings division, has appointed the following: Mr Michael Esmond, becomes director and general manager, UK; Mr Mirko Aldrovandi becomes chief executive and managing director of Sayerlack, and Mr Guiseppe Donelli becomes from April 1 general manager of Galstaff, both in Italy; Mr Jan Jansen becomes chief executive and managing director from May 1 of Doelfray's Lakfabrieken, in the Netherlands.

■ Mr Geoff Dunmore (pictured) has been promoted to corporate sales and marketing director of PERKINS ENGINES (PETERBOROUGH) from general sales manager, industrial and agriculture. He succeeds Mr Peter Whitaker who becomes general manager of L. Gardner and Sons, Manchester. Both companies are part of the Varity Corp.

■ Mr David Beatty, senior executive vice president of Hiram Walker-Allied Vintners, part of Allied-Lyons, has been appointed chairman of JAMES BOROUGH DISTILLERS following the retirement of Mr Tony Derry. The company was acquired by Allied-Lyons last December from Whitbread & Co.

■ THE NEW YORK MERCANTILE EXCHANGE has appointed Mr Daniel Carr as director of European marketing, based in London. Mr Alan Pinnell has been appointed director of NYMEX's London information bureau.

■ ASSEMBLY & AUTOMATION (ELECTRONICS) has appointed Mr Adrian J. Thomas as group sales and marketing director. He was with the AB Electronics Group.

■ Mr B. St G. Austin Reed, chairman of Stephens Brothers, has been elected president of THE ROYAL WARRANT HOLDERS ASSOCIATION.

■ Mr David Walker has been appointed finance director and company secretary of CHILTERN RADIO. He was group finance director and company secretary of Copymore.

■ Mr Joe McLeod has been appointed managing director, European insurance banking, financial institutions group of THE CHASE MANHATTAN BANK. He was a vice president in the insurance banking group at Citibank.

DE BEERS CONSOLIDATED MINES has appointed three directors: Mr T.W.H. Capon (left) and Mr G.M. Ralfe (right) in London, and Mr R.M. Crawford in South Africa. Mr Tim Capon is an executive director, responsible for office administration and legal matters of the Central Selling Organisation, and a director of other group companies. Mr Gary Ralfe is another CSO executive director, responsible for financial affairs, and assistant to the chairman. He is also an alternate director of Anglo American Corporation, and a director of other group companies. Mr Robin Crawford is a manager in the diamond services division of AAC, of which he is also an alternate director and a manager.

■ Sir Keith Bright, chief executive, has been promoted to chairman of ELECTROCOMPONENTS, following the retirement of Mr A.G.T. Chubb, who remains a non-executive director until the annual meeting in July. Dr D.M. Coutts, managing director of RS Components, has been promoted to group managing director. The changes are from April 2.

LONDON SHARE SERVICE

BRITISH FUNDS

1989/90 High Low | Stock | Price £ | + or – | Yield Int. Red.

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

BRITISH FUNDS—Contd

1989/90 High Low | Stock | Price £ | + or – | Yield Int. Red.

High	Low	Stock	Price £	+ or –	Yield Int.	Red.
112¾	103¾	Tr. 2pc '92xd(97.2)	111½xd	–⅛	3.88	5.16
105⅞	94⅞	Do. 2 '94(102.9)	103⅞	.....	3.60	4.21
156¾	139⅛	Do. 2pc '96(67.9)	151½xd	.....	3.69	4.06
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
913p	333p	California Eng.	500p	-3	–	–	–
36⅛	17¼	Campbell Soup 15c	29⅝xd	–⅛	$1.00	–	2.0
28⅜	15⅞	Chase Manhattan $12½	17½xd	–⅛	$2.38	–	8.1
26¼	15	Chem. Banking Corpn	16¼	.....	$2.72	–	10.1
17½	9½	Chrysler $6¼	10⅝xd	.....	$1.20	–	6.8
22⅞	13¼	Citicorp $1	14⅞xd	–⅛	$1.62	–	6.5
41¾	25¼	Colgate-Palmolive $1	34⅝xd	–⅛	$1.48	–	2.6
[illegible]							

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	251	−3	44c	1.4	7.9	9.0
195	134	Abbey National 10p	194	+2	8.5	q3.2	6.0	6.9
*282	120½	Allied Irish Ord	247	+1	[illegible]	3.3	3.9	12.7
£13¼	£11½	Algemene F1.10	£12½	.....	Q28%	2.0	7.2	6.9
*85	61	Anglo Irish	75	.....	Q18.7%	2.7	5.9	10.2
81	57	Ansbacher (H.) 1p	78	..	2.5	♦	4.4	♦
£72½	£38¼	Bancaire Cie Fr100	£57½	−¼	[illegible]	−	2.3	−
£46¾	£35¼	Banco Bilbao Viz	£37¼	−¾	Q35.7%	2.0	3.7	13.7
£33	£25¼	Banco de Santander	£25¼	.....	Q25%	2.4	4.1	5.5
*286	169	Bank Ireland Ir£1	251	−6	[illegible]	3.2	4.6	8.6
£19½	£17½	Bank Leumi	£19½	.....	−	−	−	−
350	345	Bank Leumi (U.K.)	345	.....	†13.5	−	5.2	−
125	88	Bank Scotland	115	.....	†3.8	3.6	4.4	8.3
111¼	93	Do. 9¼pc Irrd Pf	93¾	.....	9¼%	−	13.2	−
*67	49	*Bank of Wales*	52	.....	2.8	1.6	7.2	10.9
*588	404	Barclays £1	566	+1	27.4	q3.6	6.4	5.6
31	19	Benchmark 20p	19	.	1.63	1.0	11.4	10.9
363	285	Brown Shipley £1	313	.....	†10.5	−	4.5	−
455	325	Cater Allen £1	413	.....	23.5	−	7.6	−
259	149	Chancery	149	.....	†8.0	2.8	7.2	6.6
£23¼	£14½	Commerzbk DM10	£20¾	+¼	Q18%	−	3.2	−
*£29	£22¼	C'hgn.Hbk.Kr100	£24¾		Q15%	−	5.9	−
£16¾	£10¼	Dai Ichi KBk Y50	£10¾	−¼	†Q16%	8.8	0.3	38.0
*£314¼	£156¼	Deutsche Bk DM50	£274	+2¼	Q24%	−	1.6	−
£22¼	£17¾	Espirito Santo	£19¾	−¼	Q75c	3.3	2.3	13.5
260	182	First Nat. Fin. 10p	216	..	13.0	2.4	8.0	6.7
134	90	FNFC 6.3pc Cv Pf	113	.	6.3%	−	7.4	−
£16¾	£12¾	Fuji Bank Y50	£17¼	−¼	Q15.6%	4.3	0.2	−
325	230	Gerrard & National	272	..	18.5	−	9.1	−
154	115	Guinness Mahon 10p	150	...	†2.1	−	1.9	−
328	197	Hambros 20p	306	.....	†10.0	−	4.4	−
128	90	Do. 7.5pc Cv Pf	122	..	7½%	−	8.2	−
60	39	HK & Shang. HK$2.50	56	−½	HQ36c	−	4.9	−
495	423	Joseph (Leo) £1	463	+5	15.85	−	4.6	−
145	115	King & Shaxson 20p	138	.....	9.25	−	8.9	−
422	277	Kleinwort Benson Grp	392	+3	14.0	−	4.8	−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	975	DAF N.V. Fl1.5	£10⅞	+⅞	H02.5	1.8	6.6	8.4
162	113	General Mtrs Units	134	−3	Q12½%	−	5.5	−
906	264	Jaguar	849	.....	11.0	0.5	1.7	−
*61½	27	♦March Group 5p	41	.....	0.64	−	‡	−
£207	£94½	Volkswagen DM50	£198½	+1¾	Q20%	2.8	1.7	21.1
£51⅞	£33½	Volvo Kr25	£36⅞	+⅛	Q56%	3.1	3.7	9.3

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*505	201	ERF (Hldgs)	203	.....	15.0	3.7	9.9	3.6
*245	160	Plaxton Grp	160	.....	H8.5	2.1	7.1	16.3

Components

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
438	375	Abbey Panels	438	.....	3.5	10.8	1.1	11.6
290	185	Airflow Streamlines	220	.....	6.0	4.2	3.6	8.8
208	143	Bostrom 5p	183	.....	15.1	10.6	3.7	8.8
299	191	Dowty 50p	204	.....	18.0	2.3	5.2	10.7
261	165	FR Group	166	+1	15.54	3.7	4.4	8.2
*174	74	Kwik-Fit Hldgs. 10p	78	+3	2.4	2.8	4.1	11.6
*725	509	Lucas Inds. £1	595	+15	25.0	2.9	5.6	7.0
*62	14	♦Spice 5p	14	.....	q1.2	0.4	‡	−

Garages and Distributors

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
48	25	Alexanders 10p	25	.....	1.0	3.0	5.3	7.5
184½	104	Appleyard 10p	128	.....	7.8	♦	8.5	♦
200	100	♦Blackley Motor 20p	102	.....	17.5	3.2	9.8	4.3
600	465	Caffyns 50p	540	.....	11.5	0.4	2.8	−
146	88	♦Central Motor Auctns.	113	.....	3.25	3.0	3.8	11.4
195	38	♦Cook (D.C.) Hldgs.	51	−2	‡1.33	−	‡	−
151	44½	Cowie (T.) 5p	54	+1	4.2	♦	11.0	♦
135	68	Dagenham Motors 10p	83	−5	5.0	3.5	8.0	4.4
143	73	Davenport Vernon 10p	85	+3	3.5	3.6	5.5	5.9
38	15	Equity & Gen 5p	18	.....	†1.5	1.7	11.1	(6.4)

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

For Ocean Transport see Ocean Group

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

For Water Shares See Recent Issues

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
160	95	Seacon Hldgs.	137	.....	3.15	♦	3.1	♦
31	29	Semperoova	28	.....				6.6
38	20	Sleepy Kids 5p	29	.....	−	−	−	−
*3¾	1¼	Swanyard Studios 1p	2¼	.....	−	−	−	10.8
50	28	Tavern Lsrs. 20p	30	.....	♦	−	−	30.8
115	28	Tomorrows Leisure 20p	82	.....	−	−	−	9.4
115	35	UPL Group 10p	50	.....	‡2.75	1.9	♦	8.2
150	128	Unit Group	148	.....	5.0	3.3	4.6	8.2
100	66	Video Magic Lsr. 1p	81	.....	W2.0	0.7	3.3	64.9
14	4	Vista Ents 5p.	4½	−¼	−	−	−	−
40	15	Vizcaya Hldgs 5p.	14	.....	−	−	−	−
46½	23	Waltergate Leisure 20p	34½	−1	0.25	1.7	0.9	78.1
32½	10	Do. Wrrnts.	22	.....	−	−	−	−
10¼	4¼	Wilton Group 1p	4½	.....	−	−	−	−

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ψ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ *Not comparable*
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend, cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for *dividend at a future date. No P/E usually provided.*
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.	γ	83	.....
Craig & Rose £1	γ	820	.....
Finlay Pkg 5p.	γ	57	.....
Holt (Jos) 25p.	γ	1345	−5

IRISH

Cap. 8½% Ln. 1991	£96	.....
9pc Cap Ln. 1996	£90	.....
Fin. 13% 97/02.	£107½	.....

Arnotts		[illegible]	.....
Carrol (P.J.)	γ	[illegible]	.....
Hall (R. & H.)		[illegible]	.....
Heiton Hldgs	γ	[illegible]	.....
IRG		[illegible]	.....
United Drug		[illegible]	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	39
Amstrad	5½
Assoc (BSR)	5¼
BAT	83
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	31
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	19
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	24
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord	60
Reed Intnl	33
STC	20
Sears	9½
SmKl Beecham A	46
TI	30
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	27
Unilever	56
Vickers	18
Wellcome	60

Property

Stock	p
Brit Land	32
Control Secs.	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Stock	p
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res.	10
Ultramar	31

Mines

Stock	p
Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Abtrust Management Ltd (1000)H

Brown Shipley & Co Ltd (1000)F

CCL Unit Trusts Ltd (1400)F

CIBC Unit Tst Managers plc (1200)H

CIS Unit Managers Ltd (1000)F

FK English Trust Gov Man) Ltd (1000)F

12 Cardington St, London EC1M 4CB

† Dealing Day, Wed. *Dealing day, Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES

OFFER PRICE

The price at which units may be bought.

BID PRICE

The price at which units may be sold.

CANCELLATION PRICE

TIME

HISTORIC PRICING

FORWARD PRICING

SCHEME PARTICULARS AND REPORTS

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Thornton Unit Managers Ltd (1600)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American Opps	5	50.53	51.46xd	54.88	+0.11	0.96
(Accum Units)	5	52.00	52.96xd	56.48	+0.12	0.96
European Opps	5	74.60	75.01	80.00	+0.32	0.00
(Accum Units)	5	75.01	75.42	80.42	+0.34	0.00
Far Eastern Opps	5	136.51	136.82	145.93	+0.17	0.00
(Accum Units)	5	137.38	137.69	146.86	+0.17	0.00
Golden Opps	5	44.60	44.60	47.56	-0.48	0.00
(Accum Units)	5	45.87	45.87	48.92	-0.49	0.00
Intl Hi-Yield	5	58.93	59.42	63.90	+0.36	4.95
(Accum Units)	5	63.97	64.51	68.80	+0.38	4.35
Sanyo Japan Tst.	5	68.82	68.82	73.40	+0.17	0.00
(Accum Units)	5	68.82	68.82	73.40	+0.17	0.00
Kangaroo	5	31.60	31.60	33.70	-0.20	1.53
(Accum Units)	5	31.78	31.78	33.89	-0.20	1.53
Oriental Income	5	34.44	34.49	36.78	+0.07	5.09
(Accum Units)	5	38.60	38.67	41.23	+0.07	5.09
Pacific Technology	5	60.68	60.68	64.71	+0.41	0.00
(Accum Units)	5	61.17	61.17	65.24	+0.41	0.00
Tiger	5	150.78	150.78	160.82	-0.53	0.68
(Accum Units)	5	153.19	153.13	163.33	-0.54	0.68
UK Hi-Yield	5	42.77	42.77	45.61	+0.28	5.00
(Accum Units)	5	48.90	48.90	52.15	+0.32	5.00
UK Opps	5	54.15	56.81xd	60.75	+0.02	1.51
(Accum Units)	5	58.92	61.82xd	66.10	+0.02	1.51

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 416 3034

Balanced Portfolio	6	90.75	92.37	98.27	+0.41	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing – 12 Noon Historic

TR American Grth	5¼	46.93	46.93xd	50.05	+0.06	0
TR Eur Sp Sits Acc	5¼	42.47	42.47	45.29	+0.37	0
TR Eur Sp Sits Inc	5¼	41.64	41.64	44.38	+0.36	0
TR Far East Opps Inc	5¼	–	–	25.00	–	–
TR Far East Opps Acc	5¼	–	–	25.00	–	–
TR General Growth	5¼	72.86	72.86	77.51	+0.61	2.04
TR Global Tech	5¼	73.33	73.35	78.24	+0.18	0

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
(a) Exempt	142.6	144.2	–	3.56

Stewart Ivory & Co Ltd

Saints PPP Feb 14	258.6	272.3	–	–

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Mar 1	99.88	106.14	–	3.96
(Accum Units)	100.49	106.79	–	3.96

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	1110	1126	+46	1.80
TR Exempt Nth Amer.	975	990	+37	3.30
TR Exempt Pac Basin	947	959	+6	0.

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

AA Friendly Sy Feb 9	–	173.3	–	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	301.0	316.9	–	–
Equity Ser. 1	128.8	135.6	+0.9	–
Prop. Acc. Ser 2	464.1	488.6	–	–
Equity Ser 2	149.5	157.4	+2.1	–
Selective Acc.	340.9	358.9	+1.2	–
Prop. Ser. 4	362.8	381.9	–	–
Equity Ser. 4	152.2	160.3	+0.9	–

Laurentian Life plc—Contd.
formerly Trident Life
Life Funds

Equity Ser 3 Acc	477.4	502.5	+6.1	–
Gtd Managed Acc	335.4	353.1	+1.4	–

Pension Funds

Pens Equity	641.8	675.6	+8.4	–
Pens Managed	592.9	624.1	+4.4	–
Pens Gilt-Edge	363.1	382.2	+1.4	–
Pens Deposit	372.8	392.4	+1.3	–
Pens Property	563.3	592.9	+1.6	–
Swiss Bond	184.9	194.6	+0.0	–

Merchant Investors Assurance Co Ltd – Contd.

MI UK Fund		338.9	+0.8	–
MI UK Pens		644.7	+1.9	–
MI Intl Equity		381.7	+0.8	–
MI Intl Equity Pens		597.2	+1.6	–
MI International Fund		369.2	+1.2	–
MI Intl F.I. Pens		531.7	+2.2	–
MI Nth American Equity Fund		136.2	+0.1	–
MI Nth Am Equity Pens		152.0	-0.2	–
MI Far East Equity Fund		317.9	+0.1	–
MI Far East Equity Pens		428.7	+0.2	–

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	102.3	107.7	−0.1	−
Managed Growth	139.3	146.7	+0.5	−
Managed Opportunity	143.1	150.7	+0.4	−
NFMC Target Financial	100.0	105.3	+0.7	−
Pension Funds				
Managed Cautionary	107.2	112.9	−0.1	−
Managed Growth	143.5	151.1	+0.6	−
Managed Opportunity	145.3	153.0	+0.5	−
NFMC Target Mngd Pens	1503.1	1582.3	+7.0	−

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	219.7	231.3	----	−
Managed Prospect Fund	184.5	194.3	----	−
Pens Managed	281.5	296.4	----	−
Pens UK Equity	328.3	345.6	----	−
Pens Overseas Equity	392.2	412.9	----	−
Pens Property	163.3	171.9	----	−
Pens Fixed Interest	170.1	179.1	----	−
Pens Index Linked	142.7	150.3	----	−
Pens Deposit	190.7	200.8	----	−
Harvester & P.R.P.				
UK Equity	143.5	151.1	----	−
Overseas Equity	140.4	147.8	----	−
Fixed Interest	116.2	122.4	----	−
Property	135.9	143.1	----	−
Index Linked	129.6	136.5	----	−
Deposit	132.3	139.3	----	−
Managed	141.9	149.4	----	−
With Profits	135.6	142.8	----	−

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	338.2	356.0	+1.9	−
UK Equity	429.6	452.3	+4.6	−
Overseas Eq	355.7	374.5	+1.0	−
Americas	264.5	278.5	−1.4	−
Far East	389.7	410.3	−0.3	−

Providence Capitol Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
UK Managed Initial		114.3	+0.4	−
Property Initial		166.7	+0.4	−
Money Initial		79.0	----	−
Special Market Initial		136.2	−0.6	−
Japan Equity Initial		107.7	+1.0	−
North American Initial		82.8	−0.6	−
Pacific Initial		79.3	−1.1	−
Technology Initial		105.3	+0.7	−
Nat Resources Initial		57.3	+0.5	−
European Initial		103.2	+0.3	−
Residential Prop Init		103.8	----	−
Swiss Equities Initial		36.9	+0.5	−
Hong Kong Initial		47.7	−0.2	−
UK High Inc Eq Init		68.4	+0.8	−
Int Fixed Interest Init		48.3	+0.1	−
Int Managed Init		55.3	−0.4	−
HIP Managed Init		112.8	+0.1	−
HIP Managed II Initial	97.9		----	−
Broker Funds				
High Performance	75.2	79.3	+0.2	−
Towerhill Mnge Fd Acc	52.1	54.9	+1.4	−
YRA Executive Fd	91.4	96.4	−0.3	−
£ Global Growth Acc	130.5	137.6	----	−
£ High Income Money Acc	111.4	117.7	----	−
IM Balanced		55.1	----	−
H.F. Speculator Fd		136.2	+0.7	−
PEP Acorn II		124.3	+0.1	−
PEP Cautionary		85.8	−0.2	−
AAFS Int Man Fund		119.5	+0.9	−
Andrews-Green Inv Port		103.1	----	−
Individual Pension Funds				
UK Equity Acc	220.8	233.0	+2.7	−
UK Fixed Interest Acc	173.3	182.9	+0.3	−
Intl Equities Acc	240.5	253.7	−3.4	−
UK Managed Acc	180.0	189.8	+0.8	−
Property Acc	209.4	220.9	+0.5	−
Money Acc	136.3	143.8	----	−
Special Market Acc	274.3	289.4	−1.7	−
Japan Equity Acc	220.1	232.2	+2.6	−
North American Acc	128.8	135.9	−1.2	−
Pacific Acc	194.8	205.5	−2.7	−

Royal Heritage Life Assurance Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Gold Share	68.7	72.4	−1.5	−
High Inc	256.1	269.6	+2.3	−
Hong Kong	121.6	128.1	−0.6	−
Income	334.2	351.8	+3.9	−
Japan	329.8	347.2	+1.6	−
UK Select Opps	219.7	231.3	+1.1	−
UK Smlr Cos	261.4	275.2	−2.6	−
Man Gth	344.8	363.0	+0.2	−
Gartmore Funds (formerly Opportunity)				
Global Inc & Grth	124.1	130.7	−0.2	−
Worldwide Recovery	113.3	119.3	−0.5	−
Japan Select Opps	136.0	143.2	+0.8	−
European Select Opps	152.1	160.2	----	−
Pacific Growth	166.8	175.6	----	−
Intl Managed	93.5	98.5	−0.5	−
Perpetual Funds				
International Growth	117.4	123.6	+0.2	−
Income	112.1	118.0	+0.7	−
American Growth	102.8	108.3	−0.4	−
Intl Emerging Cos	117.3	123.5	+0.2	−
Far East Growth	173.4	182.6	−0.8	−
European	134.9	143.1	+0.6	−
Managed	119.8	126.2	−0.1	−
TSB Funds				
Income	119.7	126.1	+1.1	−
Managed	132.0	139.0	+0.9	−
Broker Managed				
City Capital Bond	156.3	164.6	----	−
Birchwood	150.7	158.7	----	−
Hardwick Inv. Mngt	106.0	111.6	+0.2	−
Sterling Cap Grwth	89.2	93.9	----	−
Commerce Swift Fund	42.0	44.3	+0.8	−
Andrews Green Inv Ptfl	117.6	123.8	----	−
Spreckley Inv Man Bd	142.7	150.3	----	−
Western Counties Mng	144.4	152.1	+3.3	−
Fosters International	137.8	145.1	----	−
Richards, Longstaff	128.4	135.2	----	−
Heritage Mngd Bond	169.9	178.9	−0.9	−
DOA Gilbey Mgd Eq Fd	99.7	105.0	----	−
Guy Brasher Fd	120.7	127.1	----	−
J J Barrington Int.Fd	110.7	116.6	----	−
G & T Smaller Cos Fd	109.0	114.8	----	−

Skandia Life Assurance Co Ltd (z)

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

مكتبة الأصل

FT UNIT TRUST INFORMATION SERVICE

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Henderson Management SA

Hill Samuel Investment Services Intl SA

Ivory & Sime (Luxembourg) SA

Midland International Circuit Fund SICAV

Morgan Grenfell UT Mgrs/Deutsche Bank

Nomura Global Fund

Royal Trust Asia Fund

Save & Prosper Group

Schroder International Selection Fund

Sun Life Global Management Ltd

Touche Remnant (Guernsey) Limited

Wardley Investment Services (Lux) S.A.

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

CANADA (SIB RECOGNISED)

Ivory & Sime Portfolio Inc

GUERNSEY (**)

Adams & Neville Fund Mgmt (Guernsey) Ltd

Allied Intl Assurance (Bermuda) Ltd

The Bangkok Fund

Barclays Int Fund Managers Guernsey Ltd

Baring Fund Managers (Guernsey) Ltd

Barnett Asset Management (Guernsey) Ltd

The Euro Spain Fund Ltd

Five Arrows Intl Bond Fund

Framlington Overseas Fund Mngt Ltd

GENERALI

John Govett Mngmt International Ltd

Hambro Management Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

The India Fund

The Indonesian Capital Fd Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mngmt Ltd

Lazard Fund Managers (CI) Ltd

Lazard Fund Managers—Contd

M & G Island Fund

MsI Financial Mngt Intl Ltd

Nikko Capital Mngt (Europe) Ltd

Strongbold Asset Mngmt (Guernsey) Ltd

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Wellington Fd Mngrs (Guernsey) Ltd

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Chase Manhattan Intl

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Management Ltd

Fidelity International Management Ltd

Fleming Group

John Govett Management (Jersey) Ltd

Hill Samuel Investment Services Intl

Management International (Jersey) Ltd

Midland Bank Tst. Corp. (Jersey) Ltd

MIM Britannia International Limited

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngrs. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

Prudential Intl Financial Services Ltd

Royal Trust Fd Mgmt (CI) Ltd

Royal Trust Intl Fd Mgmt Ltd

Save & Prosper International

Schroder Mngmt Services (Jersey) Ltd

Scimitar Worldwide Selection Fd Ltd

Springsteen Management

Tyndall International (Jersey) Ltd

Warburg Asset Mgmt Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

World Capital Growth Fund Ltd

Worldinvest (Managers) Jersey Ltd

ISLE OF MAN (**)

Albany International Assurance Ltd

Dawson Lowrie Inv. Mgt. Ltd

Equity & Law (International) Fund Mgrs Ltd

Hansard International Ltd

Mercury Fund Managers Isle of Man

Refuge Overseas

Scottish Equitable

LUXEMBOURG (**)

Fidelity International Service (Lux) SA

Fleming Group

Gartmore Management Luxembourg

Gota Global Selection

Pacific Funds S.A. Lux

S.G. Warburg Asset Mngmt Lux S.A.

Target International Fountain Fund

Yamaichi 1992 OMNI Fund SICAV

DUBLIN (**)

AIB Fund Management Ltd "AIB Trusts"

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Life Assurance International

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abbey Global Investment Fund

Alliance Capital

Anglo-Swiss Asset Management

Asian Development Equity Fund

BAII Multicurrency (SICAV)

Baring International Group

Bridge Singapore Asset Mngt

Buttefield Management Co Ltd

Capital International

Credit Commercial de France

DWS Deutsche Ges. F. Wertpapiersparen

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Enskilda Fund Managers

Fidelity International

First Australia Fund

Frobisher Fund Mgrs

German Selection Associates N.V.

Gartmore Investment Ltd

Global Asset Management Corp

Granville Management Ltd

Group One Limited

Hill Samuel & Co (Guernsey) Ltd

The Japan Capital Secured Trust

Jardine Fleming Inv Mngt Ltd

Korea International Trust

Latin American Investment Co Ltd

Lloyds Bank (CI) U/T Mngrs

Lloyds Bank Geneva Switzerland

M & G (Cayman) Ltd

Malaysia Growth Fund

Mercer-KAG

Merrill Lynch Asset Management

Morgan Stanley Sicav

NM Financial Mngt Intl Ltd

Newport International Management

Nikko Luxembourg S.A.

Nomura Asia Europe Fund

Nomura Dragon Global Fund

North Star Fund Managers (Cayman) Ltd

Optima Fund Ltd

Prudential Bache Fund Management

Rothschild Asset Management (CI)

Royal Trust North American Bond Fd

SCUTECH SA

Schroder Investment Management Limited

Scudder, Stevens & Clark Inc

Seligman Global Fund

Target International Fountain Fund

Templeton Global Investments

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Growth Fund

The Thailand Fund

T. Rowe Price Associates, Inc

Three Valleys Asset Allocation Funds

Transworld Bond Trust

Tyndall International (Bermuda) Ltd

Unico Invest Fd Mgt Co SA Lux

Union-Investment-Gesellschaft GmbH

Viking Fund-SICAV

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Investment Services Ltd

Wells Fargo U.S. IT Funds

Yamaichi International Investment Fd Ltd

Yamaichi Dynamic Mngt Co SA

Money Market Trust Funds

Charities Aid Funds Money Market Co Ltd

The Charities Deposit Fund

Barclays Money Management Ltd

Henderson Money Management Ltd

Money Market Trust

Money Market Bank Accounts

Allied Trust Bank Ltd

Bank of Ireland High Interest Cheque Acc

Bank of Scotland

Barclays Capital Advantage Account

Barclays Prime Account H.I.C.A.

Beneficial Bank PLC Premier Acc

Cater Allen Ltd

Canterbury Bank Limited

Citibank Savings

Clydesdale Bank PLC

Co-operative Bank Top Tier

Coutts & Co

Darlington & Co

Dunbar Bank PLC

Fidelity Money Market Trust

Girobank plc High Interest Cheque Acc

Gartmore Money Management Ltd

Humberclyde Finance Group

Lloyds Bank High Interest Cheque Account

M & G/Kleinwort Benson

Midland Bank plc

NatWest Special Reserve Account

Provincial Bank PLC

Royal Bank of Scotland plc Premium Acc

Standard Property Investment PLC

Sterling Bank & Trust Ltd

TSB Bank plc (England & Wales)

Tyndall & Co Ltd

J. Henry Schroder Wagg & Co Ltd

Western Trust High Interest Cheque Acc

Wimbledon & South West Finance Co Ltd

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar pauses to await data

THE TONE was nervous, but foreign exchange trading was relatively quiet yesterday, with no further co-ordinated intervention by central banks. On Wednesday repeated intervention by the US Federal Reserve eventually capped the dollar's advance in New York. The Fed sold dollars against the Japanese yen again yesterday, but had not intervened to support the D-Mark by the time London trading closed. There was also no sign of intervention by European central banks, after Wednesday's co-ordinated action, but dealers suggested the Bundesbank is unhappy with the dollar above DM1.70.

Comments by Mr Nicholas Brady, US Treasury Secretary, on the subject of interest rates tended to reduce the upward pressure on the dollar yesterday. He told a US Congressional sub-committee that the goal of the Bush Administration is to bring interest rates down. He added that inflation should fall as recent high energy and food prices moderate.

A further test of market sentiment and central bank resolve is possible today, with publication of the US employment data. A rise of about 225,000 is expected in February US non-farm payrolls, against 275,000 in January, but if the figure is higher than forecast demand for the dollar is likely to increase.

At the London close the dollar had fallen to DM1.7020 from DM1.7070; to Y150.80 from Y151.25; and to FFr5.7500 from FFr5.7675, but had improved to SFr1.5085 from SFr1.5065, against a weak Swiss franc. On Bank of England figures the dollar's index declined to 68.1 from 68.3.

Earlier in the day the Bank of Japan sold around $800m in Tokyo to support the yen, according to dealers, and may have also intervened in Sydney, via the Reserve Bank of Australia.

A softening of EuroSwiss franc interest rates contributed to a weakening of the Swiss franc. It lost ground against most currencies, including the D-Mark.

Sterling showed mixed changes, but remained nervous, amid suggestions that the pound has surrendered its political stability premium to the dollar. Sterling touched a peak of DM2.8075, but fell back to close at DM2.7950, compared with DM2.7975 previously. The pound also slipped to Y247.75 from Y248.00; and to FFr9.4450 from FFr9.4525, but rose to SFr2.4775 from SFr2.4700. In terms of the dollar sterling gained 35 points to $1.6425 at the London close. According to the Bank of England the pound's index fell 0.1 to 87.7.

The Italian lira remained very firm, at the top of the European Monetary System. In Milan the Bank of Italy bought D-Marks at the fixing and also intervened to support the French franc, as the lira threatened to move above its cross rate limit against the franc. At the finish of trading in London the D-Mark had rallied against the lira, advancing to L737.95 from L737.70, but was unchanged at FFr3.3785.

£ IN NEW YORK

Mar.8	Latest	Previous Close
£ Spot	1.6470-1.6480	1.6470-1.6480
1 month	0.94-0.93pm	0.92-0.91pm
3 months	2.75-2.72pm	2.72-2.70pm
12 months	9.70-9.60pm	9.65-9.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

S. Af (Fn)	6.1960-6.3150	3.7735-3.8460
Taiwan	[illegible]10-43.20	26.25-26.30
U.A.E.	6.0450-6.0525	3.6715-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Mar 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14 13/16-14 11/16	15 1/16-14 13/16	15 1/16-15	15 3/16-15 1/16	15 3/8-15 1/4	15 5/8-15 1/2
US Dollar	8 1/4-8 1/8	8 1/4-8 1/8	8 3/8-8 1/4	8 7/16-8 5/16	8 1/2-8 3/8	8 15/16-8 13/16
Can. Dollar	12 5/8-12 3/8	12 3/4-12 1/2	12 7/8-12 5/8	13 1/16-12 13/16	13-12 3/4	12 7/8-12 5/8
D. Guilder	8 5/8-8 1/4	8 11/16-8 1/2	8 3/4-8 1/2	8 15/16-8 13/16	9 1/8-8 15/16	9 3/8-9 1/8
Sw. Franc	8 7/8-8 5/8	8 3/4-8 1/2	8 7/8-8 5/8	9-8 3/4	9 1/8-8 15/16	9 3/8-9 1/8
Deutschmark	7 5/8-7 1/2	7 13/16-7 11/16	8 1/16-7 15/16	8 1/4-8 1/8	8 13/16-8 11/16	9 1/4-9 1/8
Fr Franc	10 1/16-9 15/16	10 1/4-10	10 3/8-10 1/8	10 9/16-10 5/16	10 7/8-10 5/8	11 1/4-11
Italian Lira	13-11	12-11	12 5/8-12 1/8	12 7/8-12 3/8	13-12 5/8	13 1/2-13 1/4
Belgian Franc	10 1/2-10 3/8	10 1/2-10 3/8	10 1/2-10 3/8	10 9/16-10 7/16	10 3/4-10 5/8	10 7/8-10 3/4
Yen	6 1/2-6 3/8	6 5/8-6 1/2	7 1/16-7 1/16	7 1/2-7 3/8	7 5/8-7 1/2	7 3/4-7 5/8
D.Krone	12 1/4-12	12 1/4-12	12 1/4-12 1/8	12 3/8-12 1/4	12 5/8-12 1/2	12 3/4-12 5/8
Asian $Sing	8 1/4-8 1/8	8 5/16-8 3/16	8 3/8-8 1/4	8 7/16-8 5/16	8 1/2-8 3/8	8 15/16-8 13/16

Long term Eurodollars: two years 9 1/16-8 15/16 per cent; three years 9 3/16-9 1/16 per cent; four years 9 5/16-9 3/16 per cent; five years 9 3/8-9 1/4 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Mar.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6390-1.6510	1.6420-1.6430	0.93-0.92cpm	6.76	2.67-2.64pm	6.47
Canada	1.9345-1.9520	1.9380-1.9390	0.35-0.29cpm	1.98	0.98-0.85pm	1.89
Netherlands	3.14-3.16	3.14 1/4-3.15 1/4	1 5/8-1 1/2cpm	6.44	4 7/8-4 5/8pm	6.12
Belgium	57.90-58.40	58.00-58.10	28-17cpm	4.65	77-50pm	4.65
Denmark	10.68 3/4-10.72	10.70 3/4-10.71 3/4	3 1/4-2 1/4orepm	3.36	7 1/2-6 1/2pm	2.59
Ireland	1.0470-1.0550	1.0485-1.0495	0.35-0.30ppm	3.72	0.75-0.65pm	2.67
W. Germany	2.79-2.80 1/4	2.79 1/4-2.79 3/4	1 5/8-1 1/2pfpm	6.72	4 3/4-4 5/8pm	[illegible]
Portugal	245.20-247.75	245.90-246.90	9-28cdis	-0.90	104-141dis	-1.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.24-5.19cpm 12 Month 9.55-9.45cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EURO DM; FT-SE 100 INDEX

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6425	1.6333	1.6160	1.5904	1.5475

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.6400	1.6432	1.6382	1.6400
Jun	1.6126	1.6164	1.6116	1.6140
Sep	1.5888	1.5910	1.5880	1.5864

CHICAGO

U.S. TREASURY BONDS (CBT); U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); PHILADELPHIA SE £/$ OPTIONS; 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF)

	Open	Close	Change	High	Low	Yield	Open int.
March	89.22	89.27	+0.07	89.31	89.22	10.73	8,569
June	89.20	89.16	+0.03	89.21	89.15	10.84	[illegible]
September	89.13	89.14	+0.05	89.18	89.13	10.86	4,072
December	89.13	89.14	+0.06	89.15	89.11	10.86	2,216

Estimated volume 12,052 Total Open Interest 28,207

CAC-40 FUTURES (MATIF)
Stock Index

	Open	Close	Change	High	Low	Open int.
March	1889.0	1918.5	+44.5	1926.0	1889.0	8,022
April	1891.0	1919.0	+45.0	1924.0	1891.0	977
May	1891.0	1900.0	+26.0	1900.0	1891.0	98
June	-	-	-	-	-	37

Estimated volume 4,079 Total Open interest 9,134

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15 1/2
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15 1/2	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15 1/2	Roxburghe G'rantee	15 1/2
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16 1/2	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co	15	● Smith & Williamson Secs	15
Bank Credit & Comm	15	Robert Fraser & Ptns	15 1/2	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15 1/2	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bank	15	Westpac Bank Corp	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.N.East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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JOTTER PAD

MONEY MARKETS

Watching the pound

THE PERFORMANCE of the pound continued to dominate sentiment on the London money market yesterday. As sterling temporarily moved above DM2.80 interest rates eased, with three-month interbank falling to 15 3/16-15 1/16 from 15 1/4-15 1/8 per cent. The three-month rate finished at that level, but longer rates were slightly more volatile. One-year money declined to 15 1/2-15 7/16 from 15 5/8-15 1/2 per cent, as the pound improved, but firmed slightly to 15 9/16-15 7/16 per cent at the close, reflecting a renewed weakening of sterling.

UK clearing bank base lending rate 15 per cent from October 5

On Liffe short sterling futures opened firm at 84.94, but fell as the pound sterling weakened, touching a low of 84.85, before closing at 84.87, against 84.90 on Wednesday.

The Bank of England forecast a day-to-day credit shortage of £500m, and provided total assistance of £423m. Before lunch the authorities bought £38m bank bills outright, in band 2 at 14 3/4 per cent. In the afternoon another £260m bills were purchased, via £10m bank bills in band 1 at 14 7/8 per cent; £3m Treasury bills in band 2 at 14 3/4 per cent; and £247m bank bills in band 2 at 14 3/4 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £663m, with a rise in the note circulation absorbing £90m, and bank balances below target £25m. These outweighed Exchequer transactions adding £290m to liquidity.

In Frankfurt call money was unchanged at 7.80 per cent. Recent action by the Bundesbank in buying D-Marks on the foreign exchanges has tended to reduce the amount of money in circulation, but has not had any great impact. Dealers do not expect any significant movement in rates until the subject of German monetary union returns to the agenda after the East German elections on March 18.

Banks reserves with the Bundesbank averaged DM63.5bn for the first six days of March. This is well above the likely average requirement for the whole month, but funds will be drained from the market later in March as seasonal tax payments fall due.

In New York the US Federal Reserve added temporary funds to the banking system, through $1.5bn of customer repurchase agreements, when Federal funds were trading at 8 1/4 per cent. The move was regarded as purely technical.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.8) 3 months US dollars		6 months US Dollars	
bid 8 3/8	offer 8 1/2	bid 8 1/2	offer 8 5/8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	8.15	Three year	8.57
Broker loan rate	9 3/4	Two month	7.85	Four year	8.63
Fed.funds	8 1/4	Three month	8.17	Five year	8.58
Fed.funds at intervention	8 1/4	Six month	8.22	Seven year	8.63
		One year	8.32	10-year	8.58
		Two year	8.59	30-year	8.57

Mar.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	8.15-8.30	8.20-8.35	8.35-8.50	8.75-8.90	8.00
Paris	10 1/4-10 1/2	10 1/4-10 1/2	-	10 1/2-10 5/8	-	10.00
Zurich	8 1/4-8 5/8	8 3/4-9	-	8 3/4-9	-	-
Amsterdam	8.50-8.63	8.62-8.70	-	8.75-8.80	-	-
Tokyo	6 13/16-6 15/16	7 3/16-7 1/4	-	7 1/2-7 5/8	-	-
Milan	12 3/4-13 1/4	13-13 1/4	-	13 1/4-13 1/2	-	-
Brussels	10.35	10 1/4-10 1/2	-	10 1/4-10 1/2	-	-
Dublin	11-11 1/4	11 13/16-11 15/16	12 1/16-12 3/16	12 3/8-12 1/2	12 3/4-13	-

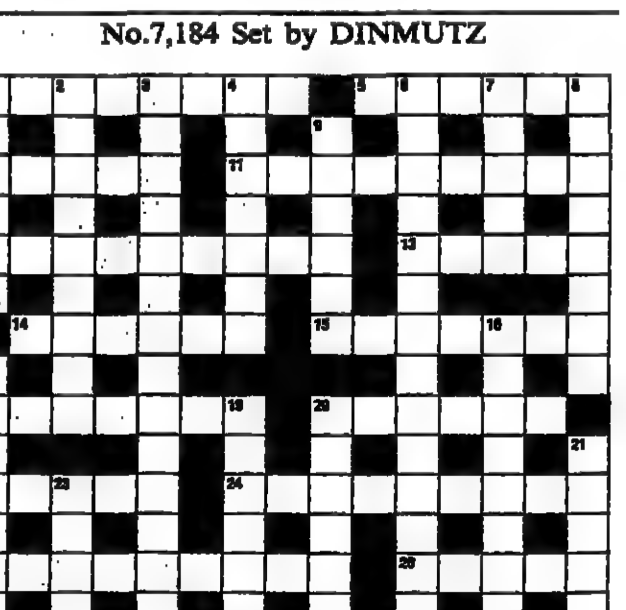
LONDON MONEY RATES

Mar 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15 1/4	14 13/16	15 1/16	15 3/16	15 3/8	15 5/8
Interbank Bid	14 3/4	14 11/16	15	15 1/16	15 1/4	15 1/2
Sterling CDs.	-	-	15	15 1/16	15 1/4	15 7/16
Local Authority Deps.	14 3/4	14 13/16	14 15/16	15 1/8	15 5/16	15 1/2
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15 1/2	14 13/16	14 13/16	14 7/8	-	-
Company Deposits	-	-	15	15 1/8	15 3/8	15 1/2
Finance House Deposits	-	-	15 1/8	15 1/4	15 1/2	15 5/8
Treasury Bills (Buy)	-	-	14 11/16	14 1/2	-	-
Bank Bills (Buy)	-	-	14 11/16	14 11/16	14 1/2	-
Fine Trade Bills (Buy)	-	-	15 1/4	15 1/8	14 15/16	-
Dollar CDs.	-	-	8.38	8.42	8.50	8.80
SDR Linked Dep. Offer	-	-	9 1/4	9 1/4	9 3/8	9 5/8
SDR Linked Dep. Bid	-	-	8 15/16	9 1/8	9 1/4	9 1/2
ECU Linked Dep. Offer	-	-	10 3/4	11 1/16	11 1/2	11 3/4
ECU Linked Dep. Bid	-	-	10 5/8	11 1/16	11 3/8	11 5/8

Treasury Bills (sell); one-month 14 23/32 per cent; three months 14 1/2 per cent; Bank Bills (sell): one-month 14 21/32 per cent; three months 14 17/32 per cent; Treasury Bills; Average tender rate of discount 14.4945 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1990. Agreed rates for period March 26 1990 to April 24, 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.41 p.c. Reference rate for period Feb.1,1990 to February 28, 1990, Scheme IV&V: 15.141 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 1/2 from March 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11 1/2 per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11 1/2 per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

CROSSWORD

No.7,184 Set by DINMUTZ



ACROSS

1 Right one to return, farm-house victim is huge (8)
5 Outline of his last sailing-vessel (6)
10 Is it used in eagle's frontal onslaught? (5)
11 Rest of article in knotted handkerchief? (9)
12 Red port for Michael, for example (9)
13 Hourly hospital examination (5)
14 Partisan? French one? Hardly! (6)
15 Proverbial swearer, porter angry about nothing at all (7)
18 Sense and Sensibility (7)
20 Big sum at job-centre for Murphy (6)
22 Liberal mood of a girl (5)
24 He makes off with arrangements of clarinets (9)
25 Tortilla left in derelict hacienda (9)
26 Girl showing nothing – veil is adjusted (5)
27 Preparing to drive, of course (6)
28 Worn out by hot spell? It is the tie (4-4)

DOWN

1 Runs from former star, perhaps (6)
2 It permits no ordering out (2-7)
3 I, in a main tourist resort, making very little of it (15)
4 True music-maker (7)
6 Sales rep is a champion on the way (6,2,3,4)
7 Royal house-doctor out – doing the rounds? (5)
8 Arms of signal on line (8)
9 An obstinate creature, sort of cross, but showing charm (6)
16 Getting rid of one's generator? (9)
17 A fellow articulate and prosperous (8)
19 Balmy place for soldier to advance (6)
20 Take a share of standard profit (7)
21 A way out? (6)
23 Chap not unconnected with Pop, say (5)

Solution to Puzzle No.7,183

BREATHE AGAIN
UNDERGO JASMINE
GRAIN ADVISORY
SUSTENANCE BETA
IOWA RESTORABLE
NAMESAKE TROUT
ORIGAMI HORIZON
HARLEQUINADE

WORLD STOCK MARKETS

AUSTRIA — March 8 — Sch — + or − [illegible]

BELGIUM/LUXEMBOURG — March 8 — Frs. — + or − [illegible]

DENMARK — March 8 — Kr — + or − [illegible]

FINLAND — March 8 — Mkk — + or − [illegible]

FRANCE — March 8 — Frs. — + or − [illegible]

FRANCE (continued) — March 8 — Frs. — + or − [illegible]

GERMANY — March 8 — Dm. — + or − [illegible]

GERMANY (continued) — March 8 — Dm. — + or − [illegible]

ITALY — March 8 — Lire — + or − [illegible]

ITALY (continued) — March 8 — Lire — + or − [illegible]

NETHERLANDS — March 8 — Fl. — + or − [illegible]

NORWAY — March 8 — Kroner — + or − [illegible]

SPAIN — March 8 — Pts. — + or − [illegible]

SWEDEN — March 8 — Kronor — + or − [illegible]

SWITZERLAND — March 8 — Frs. — + or − [illegible]

SOUTH AFRICA — March 8 — Rand — + or − [illegible]

AUSTRALIA (continued) — March 8 — Aust.$ — + or − [illegible]

HONG KONG — March 8 — H.K.$ — + or − [illegible]

AUSTRALIA — March 8 — Aust.$ — + or − [illegible]

MALAYSIA — March 8 — M.$ — + or − [illegible]

SINGAPORE — March 8 — S$ — + or − [illegible]

JAPAN — March 8 — Yen — + or − [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
2pm prices March 8

Sales — Stock — High — Low — Close — Chng [illegible]

† – No voting rights or restricted rights

INDICES

NEW YORK

DOW JONES	Mar 7	Mar 6	Mar 5	Mar 2	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2669.59	2676.80	2649.55	2660.36	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.80	90.76	90.79	90.89	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1135.31	1140.47	1139.40	1145.98	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.94	220.95	218.57	219.63	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2696.85 (2684.46) Low 2656.68 (2635.04)

STANDARD AND POOR'S

	Mar 7	Mar 6	Mar 5	Mar 2	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	336.95	337.93	333.74	335.54	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	389.02	389.54	384.49	386.25	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.86	28.99	28.72	29.11	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	185.77	186.17	184.15	184.97	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.03	358.81	356.64	356.12	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	432.47	432.33	430.15	431.02	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 2	Feb 23	Feb 16	year ago (approx.)
Dow Industrial Div. Yield	4.11	4.26	4.14	3.70

	Feb 28	Feb 21	Feb 14	year ago (approx.)
S & P Industrial div. yield	3.13	3.16	3.11	3.23
S & P Indl. P/E ratio	14.47	14.32	14.21	12.68

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Am Express	2,647,300	27¾	+ ⅛
Grace (W. & R.)	2,627,300	29½	− ⅛
Philip Morris	2,169,800	38⅝	...
Verity Corp	1,979,600	3⅛	− ⅛
Am T & T	1,751,100	41	+ ⅛
BankAmerica	1,734,200	29	− ⅛
USX Corp	1,725,700	35⅝	− 1⅛
IBM	1,539,600	105⅞	− ⅛
Chase Manhattan	1,482,000	29⅛	− ⅛
NBSH UA Co	1,322,100	17⅛	+ 3⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 7	Mar 6	Mar 5
New York	163.580	143.640	140.110
Amex	13.683	13.716	10.683
NASDAQ	167.546	139.148	110.996
Issues Traded	1,969	1,987	1,969
Rises	725	1,025	667
Falls	742	458	887
Unchanged	502	504	475
New Highs	40	33	27
New Lows	17	26	30

CANADA TORONTO

	Mar 7	Mar 6	Mar 5	Mar 2	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3126.27	3144.28	3152.15	3133.53	3919.2 (1/9/89)	2921.0 (23/2/90)
Composite	3728.60	3723.17	3711.97	3707.42	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1918.69	1912.41	1898.44	1896.80	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 8	Mar 7	Mar 6	Mar 5	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1570.5	1583.1	1580.4	1581.3	1781.8 (29/12/89)	1412.9 (7/4/89)
All Mining (1/1/80)	803.8	811.2	805.1	800.3	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	680.73	668.95	659.93	658.86	680.73 (8/3/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5964.47	5962.83	5907.88	5776.79	6806.28 (26/9/89)	5619.38 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	375.43	370.72	369.90	367.16	380.32 (5/7/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	652.3	654.9	654.4	654.3	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	509.50	505.60	504.47	504.97	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1917.99	1880.57	1872.30	1874.43	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	779.21	770.48	762.80	769.41	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2270.4	2246.5	2223.1	2242.9	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1860.92	1844.72	1822.22	1833.16	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2915.73	2926.45	2933.23	2938.68	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1725.93	1737.59	1753.26	1772.34	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	663.13	666.29	667.55	665.71	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	33690.89	33362.34	33791.08	33945.20	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2506.54	2516.27	2536.37	2535.48	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4165.08	4144.55	4167.63	4157.27	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	603.92	601.08	599.71	605.26	622.20 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	250.8	248.0	244.1	244.6	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	192.4	190.2	187.3	187.7	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	837.11	833.12	829.30	817.18	837.11 (8/3/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1037.25	1034.10	1023.86	1014.09	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	430.55	427.88	427.56	429.46	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1948.0§	1967.0	1974.0	1895.0	2294.0 (13/12/89)	1291.0 (13/2/89)
JSE Industrial (28/9/78)	2956.0§	2977.0	2976.0	2986.0	3212.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	847.77	847.46	857.58	868.22	1007.80 (3/4/89)	833.81 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	271.18	271.33	272.24	271.74	328.93 (13/9/89)	268.62 (1/3/89)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(u)	1162.70	1162.50	1160.30	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	768.3	763.9	759.4	(u)	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11373.32	11415.56	11462.14	11019.36	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	801.32	799.86	804.47	813.98	918.67 (3/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	509.9	512.6	511.9	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Mar. 3: Taiwan Weighted Price 11379.79 Korea Comp Ex. 881.44

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Thursday March 8 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	15.2m	651	0
Chiyoda Corp	10.2m	2,010	+120
Miyoshi Oil F	7.9m	1,180	+120
Okura Indust	7.1m	1,570	+80
Maeda Rd Cnstr	7.1m	2,570	+30
Honshu Paper	6.9m	1,900	+100
Yasuda T&B	6.7m	1,900	0
NHI	6.7m	900	+9
Matsushita C I	5.6m	3,830	+280
Kokusai Electric	5.5m	5,120	+270

3pm prices March 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	26	AAR	.48	1.7	17	4782	29¼	27⅞	28⅞	+ 1⅛
9¾	8½	ACM n	1.26	14.		93	9¼	9	9¼	
11⅝	10½	ACMIn	1.26	11.		1285	11⅛	11	11	
9⅞	7⅞	ACM M	n1.01	13.		120	8	8	8	
12⅞	11½	ACMMM				177	11⅞	11⅝	11⅝	
11½	10	ACM Sc	1.28	11.		856	11	10⅞	11	+ ⅛
9⅞	8⅛	ACMSp	1.01	11.		436	9⅛	9	9⅛	
22¼	13	AL Lab	.16	.8	20	67	21⅞	21	21⅛	– ⅛
4½	3¼	AMCA	.12e	3.7	41	944	3⅝	3½	3⅛	
6⅛	3⅜	AM Intl			12	6980	3⅝	3½	3½	
23½	16⅛	AM In pf	2	12.		20	16⅞	16⅝	16⅝	+ ⅛
107¼	52½	AMR			9	3378	62⅞	61½	62⅛	+ ¼
5½	3¼	ARX				19	4	3⅞	4	+ ⅛
72⅞	39	ASA	3a	5.8		638	62	61⅞	61⅞	
70⅞	50⅜	AbtLab	1.40	2.2	17	3024	64⅞	63⅞	64¼	– ½
17¼	11⅞	AbitIbi g	.50			31	13¼	13⅛	13⅛	
13	8⅞	AcmeC	.40	4.2	11	109	10	9⅝	9⅝	– ¼
9¾	6⅝	AcmeE	.32	3.6	11	10	8⅞	8⅞	8⅞	
38½	27	Acxsn			22	815	35⅛	34⅞	35	+ ⅛
18½	12⅞	AdaEx	2.06e	13.		117	15⅞	15⅝	15⅞	+ ⅛
15⅝	7¼	Adobe				38	13⅛	13⅛	13⅛	
20¼	16⅞	Adob pf	1.84	9.8		16	19	18⅞	18⅞	– ½
10½	6⅞	AMD			6	1145	9⅛	8⅞	9	
35	28¼	AMD pf	3	10.		20	29⅛	29⅛	29⅛	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¾	18⅛	Ryland	.60	3.0	6	28	19¾	19½	19¾	
14⅞	6¼	Rymer				3	9	9	9	
		– S – S – S –								
41	31	SCEcp	2.56	6.5	11	2042	39½	39¼	39¼	
14½	8¼	SCOR U	.20	1.6	16	56	12½	12¼	12½	+¼
60⅛	34⅞	SPSTec	1.28	3.7	11	14	34⅞	34⅞	34⅞	
38⅝	22¾	SPX Cp	1	4.1	6	165	24⅞	24½	24½	+⅛
35⅝	27¼	SSMC			99	19	31½	31¼	31⅜	+⅜
21⅞	6¼	Saatchi	.49e	6.8		1142	7¼	7	7¼	+¼
14⅝	12	SabnR	1.40e	11.	9	7	12½	12½	12½	
7⅛	4⅞	Safecrd	.10	1.5	6	651	6⅞	6⅝	6⅞	+⅛
19	12⅝	SfgdSc			11	13	15¼	15¼	15¼	
38¾	25¼	SaftKln	.40	1.3	23	643	32	31⅝	31⅝	–⅛
9¼	8	SalCos	1.12	14.	21	36	8⅛	8¼	8¼	+⅛
25½	21	StJoLP	1.60	6.2	10	48	u25⅝	25¼	25⅝	+⅜
28⅞	7¾	Salant			9	1	7¾	7¾	7¾	
59½	38¾	SallieM s	.52	1.2	18	2084	44½	44	44½	+⅛
28⅝	20⅛	Salomn	.64	2.9	8	1459	21⅞	21⅝	21⅞	
45⅝	35⅛	SDieGs	2.70	6.4	15	276	42⅞	42¼	42⅝	+¼
9⅞	7¼	SJuanB	.18e	2.3	46	30	8	7⅞	7⅞	
21⅛	7⅞	ZenithE				745	9⅞	9⅝	9⅝	
21⅛	16	ZenNtl	.84	8.1	8	30	16⅛	16⅛	16⅛	+⅛
9⅝	6⅝	Zeniix	1.00	12.		130	8⅝	8⅝	8⅝	–⅛
18⅝	13	Zero s	.40	2.9	18	75	13⅞	13½	13⅞	
44⅝	35½	Zurnin	.76	1.8	19	282	41⅝	41¼	41⅝	
12⅝	10¼	Zweig	1.21e	11.		467	11½	11¼	11½	
10	8⅝	ZweigTl	.90	10.		1610	9⅝	8⅞	9⅝	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices March 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices March 8

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Weston			247	7½	7¼	7⅜	
WstwOn			747	7¼	6⅞	6⅞	–¼
Wettra	.60	19	273	25⅞	25⅜	25⅜	
Wholclub		23	787	13½	13⅛	13⅜	
WilyJ A	1.10	75	66	41	40½	41	+1
Willamt	1.60a	7	216	54¼	53⅝	54¼	+½
WmSon s		20	410	30¼	30	30½	–¼
WilmTr	1.44	12	27	40	39⅝	39¾	–¼
WiscTy		16	100	10½	10¼	10½	+⅛
WiserO	.40	27	33	20⅝	20⅝	20⅝	
Wolohn	.28b	9	131	15¾	15½	15¾	+⅛
WrkEx h			51	12½	12¼	12½	+¼
Worthg	.36	15	280	20⅝	20½	20½	
Wyman	.40		117	14	13½	13½	–½
– X – Y – Z –							
XL Dta s		6	473	8¼	8	8¼	
XOMA			2825	20	18	19¾	–⅜
Xicor		175	901	3½	3¼	3½	+¼
Xyvsn			567	2⅛	2	2	–⅛
YanEnB	1.14e	13	48	22	21	21¼	–¾
YelowF	.76	40	1231	26¼	25⅜	26⅛	+⅝
YorkRs		21	1806	12¼	11⅞	12¼	+⅜
ZionUt	1.44	12	32	27½	27¼	27½	+¼

AMERICA

Dow stays on defensive as Hilton decides not to sell

Wall Street

A NUMBER of factors kept stocks on the defensive yesterday, including disappointment that Hilton Hotels, a long-time focus of takeover speculation, has taken itself off the market, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average stood 3.61 higher at 2,673.20 on modest volume of 100m shares.

Hilton Hotels said late on Wednesday that it had decided against selling the company after various takeover proposals priced it far lower than expected.

Among other influences on stocks was the fact that this week's co-ordinated central bank intervention – and the threat of continued heavy intervention by the Group of Seven industrialised nations – seems finally to have succeeded in capping the dollar's rise.

There was also a sense of caution before today's February employment report. A rise of between 200,000 and 375,000 is being forecast in the non-farm payroll, largely due to a recovery in the auto sector.

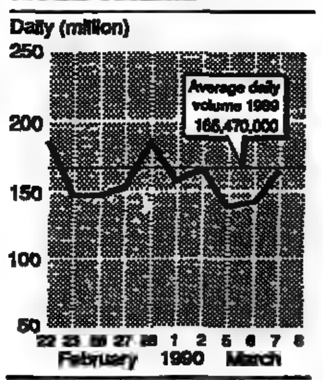
A rise towards the upper end of that range would serve to confirm the widely-held view that there is little prospect for lower interest rates.

Mr Manuel Johnson, vice chairman of the US Federal Reserve, said in Tokyo overnight that he saw no signs of further economic weakness, confirming the view of many that the Fed is not going to ease monetary policy further.

Mr Nicholas Brady, US Treasury Secretary, said in testimony to a House of Representatives sub-committee yesterday that the recent rise in US interest rates was a matter of concern for the Administration.

Few market participants believe that the Dow Jones Industrial Average can progress much beyond 2,700. The Dow touched a session high on Wednesday of 2,696.86. Another worrying indicator, according to Mr Newton Zinder, technical analyst at Shearson Lehman Hutton, is that the Dow Jones Transportation Average, which he regards as a good short-term market bellwether, has been dropping sharply.

NYSE volume



Among featured issues, Hilton plunged $11⅛ to $49⅞, dragging other hotel stocks lower. Marriott fell $⅝ to $29⅞ and Caesars World also dropped $⅞ to $22¾. Other takeover candidates were also hurt. UAL, the holding company for United Airlines, for example, dropped $2 to $132⅝.

NCNB, the south-east banking group, fell $1¼ to $43⅞ after two leading brokerage firms cut their earnings estimates for this year and next, citing rising problem loans.

C.R. Bard slumped $2⅝ to $14¼ after the company recalled two catheter models and said that the move would lower first quarter earnings by 10 cents a share.

Fluor fell $⅝ to $42¼ after reporting a rise in first quarter earnings to 35 cents a share from 27 cents a year earlier because these results were towards the low end of forecasts.

USX added $⅞ to $36½. Investor Mr Carl Icahn submitted a resolution calling for the spin-off of at least an 80 per cent stake in the company's steel operations. Mr Icahn holds a 13.3 per cent stake in USX.

Canada

MORNING trade was tentative in Toronto where the composite index rose 11.4 at 3740.0 on light volume of 11.6m shares.

Campeau Corp dropped 10 cents to C$2.15 after announcing a default on two loans. Consumers' Gas gave up C$⅛ to trade at C$30⅛ after surging C$1⅞ on Wednesday following British Gas's bid of C$34 a share. Firmer banks included Bank of Nova Scotia, up C$⅛ at C$14¼.

European hopes fail to lift airlines' gloom

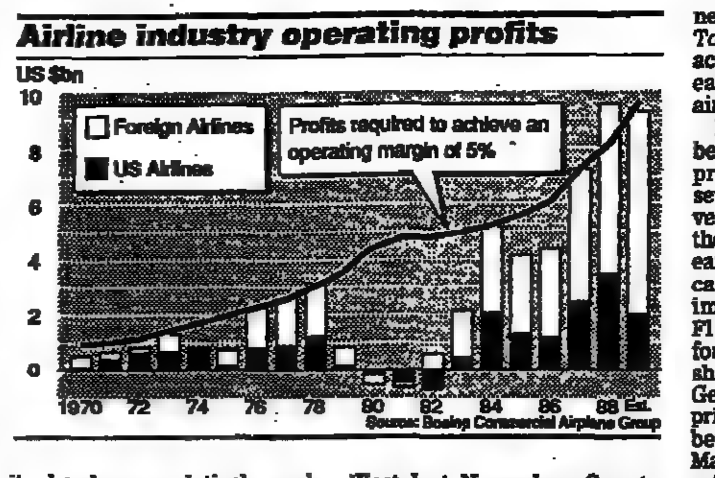
Paul Betts and **William Cochrane** analyse the prospects for carriers ahead of 1992

ALL OF the leading international airlines in Europe are jockeying themselves into position in anticipation of 1992. Lufthansa's agreement yesterday to buy a minority stake of up to 26 per cent in Interflug, the East German national carrier, highlights this trend.

However, the past nine months have seen a relatively weak performance from continental airline stocks. They have had a profitable two or three years; they may have an interesting strategic and tactical medium-term future; but there is an existing threat to earnings.

"This year is expected to sort out the men from the boys," says Mr Peter Bergius of Kleinwort Benson. Dismal quarterly figures from US carriers have reflected higher fuel costs and a slowdown in demand, and the fuel costs are a global problem. Increasing capacity is another, especially on the lucrative North Atlantic routes.

Airline industry operating profits



Source: Boeing Commercial Airplane Group

Even British Airways (BA), the American analysts' favourite, has been a relatively weak share price this year. Lufthansa is the best of the continental Europeans, but it has fallen by 2 per cent since last September's 1989 peak, against a 13¾ per cent rise in the DAX index over the same period.

The West German carrier has improved lately, with its shares on a somewhat erratic upward trend since East Germany opened its borders to the West last November. County NatWest WoodMac pointed out last December that, while the value of sales to the East was currently insignificant for the company. The greater freedom of travel of an eastern European population of 110m could change this situation.

Meanwhile, BA and KLM Royal Dutch airlines have also been actively putting into place their plans to develop a new European hub at Brussels. To this end, BA and KLM have acquired a 20 per cent stake each in Sabena, the Belgian airline.

For KLM, the contrast between strategic and share price action is even more severe. The company produced very disappointing results for the October/December quarter early in February, and its forecast for 1989/90 as a whole implies a loss of about Fl 80m in the January/March fourth quarter. Measuring its shares, too, against the West German equity market, its price relative fell 46 per cent between last June 22 and March 1.

SAS, the Scandinavian airlines combination, has sought (like KLM) to establish a direct foothold in the US market by acquiring a stake in a US airline group. SAS now has a stake in Texas Air, which owns Continental Airlines, while KLM is a stakeholder in Northwest Airlines.

However, the Danish and Norwegian quoted components of SAS, DDL and DNL, have ridden down in tandem following disappointing half-year figures last September. Measured against their local indices, they have both fallen by more than 30 per cent.

Swissair, in its quiet way, has perhaps been the most active of the European airlines, in forging a series of links with other leading airlines and locking itself into a global airline network. This strategy has involved share swap deals with Singapore Airlines in the Far East and Delta in the US, and there are ties in Europe with SAS.

The Swiss carrier also boosted passenger and cargo traffic last year, raising its load factor to 66.2 per cent from 63.9 per cent. It has come down with the rest of the industry, its share price relative as quoted in Frankfurt falling 27 per cent against the German market since a July 27 peak; but its ability to improve operating yields, usually only attributed to BA in Europe, may stand in it good stead in 1990.

EUROPE

Bulls return after their continental break

THE BULLS seemed to be back in Europe yesterday, with Paris and Amsterdam rising 2 per cent and Frankfurt advancing at a more leisurely pace, *writes Our Markets Staff.*

PARIS shook off its recent sluggishness and advanced 2 per cent in active, mostly domestic trading, as fears of higher interest rates subsided, bonds firmed and Insee, the national statistics unit, forecast a rise of 3 per cent in gross domestic product in the first half.

The CAC 40 index gained 37.42 to 1,917.99, close to its day's high, in turnover estimated at FFr3bn, after Wednesday's FFr1.9bn.

Peugeot returned to the top of the most active stocks list, rising FFr17 to FFr835 on heavy volume of 370,575 shares. One dealer predicted that the share price would reach FFr1,000 soon.

Oil stocks continued to surge on reorganisation plans and because of their relatively low price/earnings ratios. Total shot up FFr44, or 7.5 per cent, to FFr628 with 242,850 shares traded and Raffinage, in which Total owns a large stake, rose FFr to FFr. Elf Aquitaine gained FFr16 to FFr638 as 355,700 shares were exchanged and Esso rose FFr29 to FFr709.

The day's biggest gain was by Metaleurop, the metals group, which rose FFr18.10, or 9.3 per cent, to FFr213 on higher lead prices and continued takeover speculation. The company was also sought because of its link with Imetal, which advanced strongly on Wednesday, closing at FFr318, up FFr12, yesterday.

LVMH rose FFr40 to FFr4,645, after reaching FFr4,740 earlier in good turnover on expectations that it would win a court case ruling, due today.

Investors were said to be on the look-out for underperforming blue chips, and L'Oréal gained FFr200 to FFr4,750.

FRANKFURT continued its little run, the DAX index closing 16.20 higher at 1,860.92 for a rise of 4 per cent over the past week. The FAZ gained 8.73 to 779.21 at midsession and volume rose again, from DM7.6bn to DM7.8bn.

Big blue chips, engineers and bombed-out situations showed the noticeable gains. Pre-market buying came in blue chips where there has been a shortage of stock, such as Daimler and Deutsche Bank, which gained DM12 to DM888 and DM8.50 to DM769.50 respectively. Siemens topped the individual volume lists once again in turnover of DM1.1bn, rising DM7 to DM786.

The market was supported by a more stable bond market, within which the Bundesbank's average bond yield fell 8 points to 9.02 per cent. Covered warrant issues came out on Daimler and Schering, suggesting a willingness to do business, even while markets wait for the result of the East German elections on March 18.

Deutsche Babcock rose DM14.80 to DM206, rising after getting a bad set of results out of the way. Continental, a bombed-out takeover prospect, rose DM6.50 to DM289. Among the engineers, MAN rose DM6 to DM460 and Mannesmann added DM6.50 to DM365.

AMSTERDAM was buoyed up by optimism about interest rates and by recent corporate results. The CBS tendency index advanced 2.2 points, or 2 per cent, to 192.4 in heavier turnover as the institutions returned to the market.

Hoogovens, the steel producer, continued to rise, adding Fl 1.20 to Fl 75.30 on good prospects for the European steel industry. The stock has risen 16 per cent in a week.

Heineken, the brewer which reports results today, gained Fl 3.70 to Fl 110.90.

BRUSSELS surged on improving confidence and the cash market index rose 101.64 points, or 1.7 per cent, to 5,964.47.

"There has been a complete change in sentiment since the buyers' strike in the bonds market ended with a reduction of the withholding tax to 10 per cent from the start of March," said Mr Sebastian Scotney analyst at Dillon Read.

Steel cord maker Bekaert rose BFr825 to BFr15,575 on speculative interest following the death on Wednesday of Baron Antoine Bekaert, chairman of the company between 1978 and 1985.

Chemicals were strong. UCB, which has indicated that it will announce strong annual profits, jumped BFr1,150 to BFr18,850. Tessenderlo rose BFr250 to BFr9,000.

MILAN fell in thin trading, depressed by heavy losses at Banca Nazionale del Lavoro (BNL) and the news that Mr Carlo de Benedetti faces further questioning over his role in the Banco Ambrosiano affair. The Comit index shed 3.16 to 663.13. BNL savings shares plunged L650 (5.3 per cent) to L11,600 and Cir, the de Benedetti holding company, fell L80 to L4,560.

ZURICH rose again in moderately active trading, the Crédit Suisse index rising 4 to 611.1. Chemicals rose, with the focus on the Swiss-quoted Austrian company, Immuno, which rose SFr410 to SFr4,850 after a SFr510 jump on Wednesday on news of a new AIDS vaccine.

OSLO edged up to a fourth consecutive record, supported by buying interest from abroad. The all-share index rose 0.44 to 633.79 on trading worth NKr801.5m.

COPENHAGEN finished generally better lifted by the continued strength of AP Moeller's two quoted units and rising local bond prices. The bourse index rose 5.22 to 375.93.

STOCKHOLM eased in thin volume, but Sandvik, the engineering group, rose SKr5 to SKr275 after its results.

MADRID drifted lower in light volume, with a brief flourish by Repsol on the back of higher oil stock in foreign markets, before it closed Pta5 down at Pta2,485. The general index lost 0.15 to 271.18.

● From today, the prices of Spanish shares on the World Stock Markets prices page are being quoted in pesetas, rather than in percentage points, to reflect the changes being made by the Madrid bourse.

SOUTH AFRICA

CONTINUED strength in De Beers after its results failed to offset concern in Johannesburg over growing unrest in the black homelands.

The JSE overall share index closed 9 lower at 3,209 after rising to 3,229 in early trading. De Beers closed R2.25 higher at R88.50.

ASIA PACIFIC

Bargain-hunters bring run of Nikkei falls to an end

Tokyo

INVESTORS hunted for bargains yesterday and the market closed higher for the first time in four trading days. There was a growing sense of relief as the market overcame a wave of arbitrage selling and as the currency and bond markets remained stable, *writes Michiyo Nakamoto in Tokyo.*

Early selling in arbitrage with the futures market took the Nikkei below the 33,000 level for the first time in seven sessions. But the Nikkei then rebounded sharply, rising by more than 470 points by the morning close. The index fluctuated between a high of 33,936.61 and a low of 32,971.42, before closing up 328.55 at 33,690.89.

Advances led declines by 666 to 287, while 169 issues were unchanged. Turnover remained weak at 604m shares, although this was much better than the 443m traded on Wednesday. The Topix index of all listed stocks rose 20.27 to 2,536.54 and, in London trading, the ISE/Nikkei 50 index rose 1.70 to 1,837.73.

Yesterday was the last day for trading in the March futures contract; investors had been concerned that there would be a flood of selling by arbitrageurs with cash equity holdings. In the event, the amount of such selling was far less than feared.

Nevertheless, yesterday's rise in the market "was hardly like the rebound of a rubber ball," said an analyst at Sanyo Securities. It was more of a gradual strengthening of the foundations than a recovery.

Concerns about index-linked selling yesterday encouraged investors to pursue issues that were not included in the Nikkei index, said one analyst. The list of top volume issues featured a number of less familiar names. Miyoshi Oil and Fat was third in volume with 7.9m shares and gained Y120 to Y1,180. Okura Industrial, a medium scale chemical manufacturer, was fourth in volume terms and gained Y80 to Y1,570.

Matsushita Communication Industrial, a producer of communication equipment which is majority owned by Matsushita, the electronics giant, gained Y260 to Y3,830, also in active trading.

Smaller issues enlivened activity in Osaka and the OSE average rose 67.61 to 36,197.55. Volume grew to 101m shares from 100m on Wednesday.

Roundup

TOKYO'S continued unpredictability encouraged a mood of caution throughout the Asia Pacific region.

AUSTRALIA fell as nervous investors were shaken by the early fall in Tokyo. Although Japan later rebounded, Australian shares only managed a small recovery.

The All Ordinaries index dropped in opening trading to 1,566.8 before edging back to 1,570.5, 12.6 lower. Turnover rose to a moderate 80m shares.

News of Elders IXL's plans to divest its non-brewing units produced a tepid response. Its shares closed 2 cents lower at A$2.15 on turnover of 3.4m shares. Goodman Fielder Wattie, the food processing concern in which Elders has a 10 per cent stake, dropped 5 cents to A$1.75.

Broken Hill Proprietary, Australia's biggest company, fell 14 cents to A$9.58, while other resource and mining issues were mostly lower, with CRA off 20 cents at A$11.95.

NEW ZEALAND retreated on concerns that Wall Street might be ready for another sharp fall. The Barclays Index lost 16.06 to 1,802.78.

Volume picked up a bit, but remained slim at 7.5m shares. Afternoon selling was also fuelled by profit-taking on Brierley Investments, following the news after the market closed on Wednesday of a small rise in profit, in line with expectations. Brierley fell 5 cents to NZ$1.68.

Elders Resources firmed 1 cent to NZ$1.91 in anticipation of the announcement by Elders IXL of Australia.

HONG KONG declined in a cautious reaction to Wednesday's Budget. The Hang Seng index fell 10.72 to 2,915.78. Turnover improved to HK$996m from HK$849m.

SINGAPORE posted small gains in light trading, aided by the mild recovery in Tokyo. Volume was little changed from Wednesday at 82m shares, near its lowest level this year. The Straits Times industrial index climbed 7.05 to 1,575.95.

TAIWAN weakened on persistent political uncertainty over the coming presidential election. The weighted index shed 42.24 to 11,373.32.

Buying interest slackened as investors hesitated to make large orders while the power struggle continued within the ruling party. Volume was about 542m shares, down 40 per cent from Wednesday.

FT-ACTUARIES WORLD INDICES

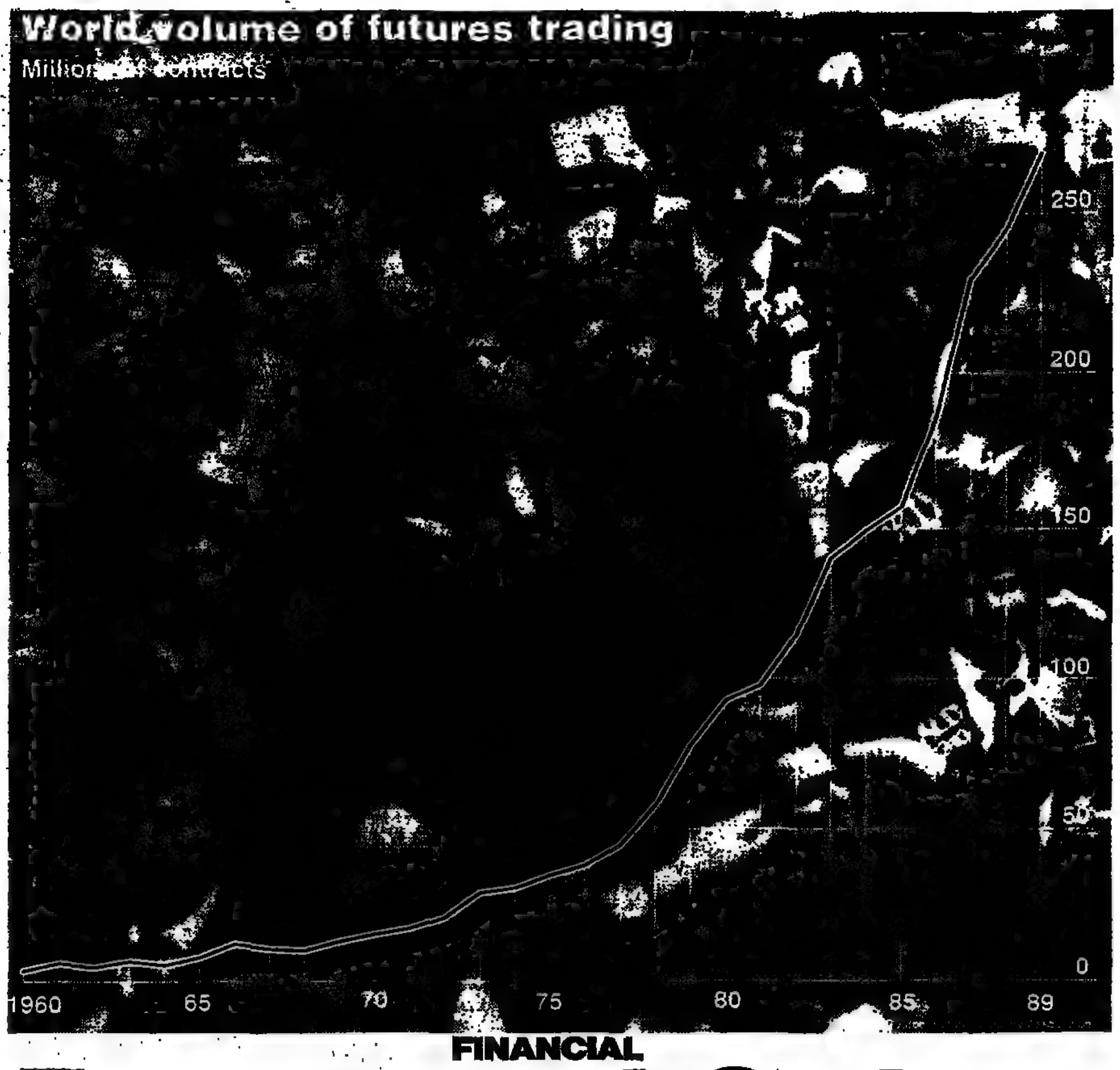
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MARCH 7 1990						TUESDAY MARCH 6 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	140.33	−0.1	126.94	122.97	+0.2	5.45	140.51	126.25	122.75	160.41	128.28	136.89
Austria (19)	271.19	+1.3	245.31	240.15	+1.7	1.10	267.68	240.52	236.25	271.19	92.84	102.40
Belgium (61)	138.24	+0.7	125.04	120.88	+1.0	4.62	137.32	123.38	119.71	160.02	125.58	133.02
Canada (120)	142.15	+0.1	128.58	122.03	+0.0	3.35	141.96	127.56	121.97	154.17	124.67	133.55
Denmark (36)	248.84	−0.5	225.10	221.60	−0.1	1.45	250.05	224.68	221.82	260.82	165.36	168.68
Finland (26)	145.32	−1.0	131.45	122.37	−0.7	2.38	146.73	131.84	123.25	159.16	118.63	142.76
France (125)	146.34	+0.1	132.37	132.39	+0.4	2.64	146.13	131.30	131.60	157.97	112.57	114.70
West Germany (96)	126.86	+0.7	114.76	112.58	+1.0	1.89	126.04	113.25	111.46	137.01	79.56	84.24
Hong Kong (46)	120.02	−0.2	108.56	120.36	−0.2	4.84	120.25	108.05	120.57	140.33	86.41	126.70
Ireland (17)	182.97	−1.4	165.51	165.32	−1.0	2.54	185.60	166.76	167.05	198.57	125.00	144.07
Italy (96)	94.17	−0.6	85.18	88.56	−0.3	2.59	94.73	85.12	88.79	102.11	74.97	79.01
Japan (455)	159.54	−1.8	144.31	152.53	−0.8	0.53	162.40	145.93	153.78	200.11	159.43	190.36
Malaysia (36)	235.66	+0.3	213.17	245.87	+0.4	2.17	234.98	211.14	244.88	245.32	143.35	155.09
Mexico (13)	391.79	+1.6	354.41	1169.87	+1.6	0.44	385.52	346.40	1151.18	393.90	153.32	156.46
Netherland (43)	133.80	+1.4	121.03	117.46	+1.8	4.72	131.97	118.58	115.41	146.66	110.68	115.35
New Zealand (18)	65.50	+0.3	59.25	59.08	+0.5	5.84	65.30	58.67	58.81	88.18	61.96	71.94
Norway (24)	243.54	+0.5	220.30	217.43	+0.7	1.51	242.40	217.81	215.91	243.54	139.92	172.61
Singapore (26)	194.02	+0.3	175.50	167.51	+0.4	1.73	193.38	173.76	166.83	199.38	124.57	140.73
South Africa (60)	198.93	+0.4	179.95	168.27	+0.6	3.37	198.20	178.09	166.39	251.39	115.35	136.35
Spain (43)	147.26	−0.1	133.21	122.22	+0.1	4.30	147.41	132.45	122.06	169.75	143.14	144.36
Sweden (35)	178.40	−1.0	161.38	163.02	−0.4	2.36	180.15	161.88	163.75	206.95	138.45	156.78
Switzerland (62)	93.81	+0.6	84.86	87.61	+1.1	2.13	93.21	83.75	86.65	99.12	67.81	76.59
United Kingdom (306)	148.32	−0.1	134.17	134.17	+0.5	4.63	148.51	133.44	133.44	164.31	133.26	149.88
USA (542)	136.37	−0.3	123.36	136.37	−0.3	3.46	136.81	122.93	136.81	146.29	112.13	118.75
Europe (988)	136.46	+0.2	123.44	122.16	+0.6	3.56	136.25	122.43	121.39	146.66	112.68	118.83
Nordic (121)	188.29	−0.6	170.32	163.04	−0.2	1.89	189.43	170.21	163.35	201.89	137.95	146.57
Pacific Basin (667)	157.38	−1.7	142.36	150.11	−0.8	0.81	160.03	143.79	151.25	194.72	157.06	165.96
Euro – Pacific (1656)	149.27	−1.0	135.03	139.17	−0.2	1.84	150.76	135.47	139.51	174.18	141.56	156.87
North America (662)	136.62	−0.3	123.58	135.47	−0.3	3.48	137.02	123.12	135.87	146.66	112.79	120.46
Europe Ex. UK (683)	127.72	+0.3	115.53	114.54	+0.7	2.75	127.29	114.37	113.76	135.73	96.30	99.74
Pacific Ex. Japan (212)	131.00	−0.1	118.49	118.94	+0.1	4.61	131.08	117.78	118.81	140.05	111.98	128.03
World Ex. US (1849)	149.65	−0.9	135.37	139.19	−0.2	1.90	151.05	135.73	139.50	173.77	141.49	157.77
World Ex. UK (2085)	143.44	−0.8	129.75	138.53	−0.3	2.18	144.58	129.92	138.99	162.00	136.96	142.42
World Ex. So. Af. (2331)	143.52	−0.7	129.83	137.88	−0.3	2.42	144.59	129.92	138.24	161.84	136.67	143.11
World Ex. Japan (1936)	137.20	−0.1	124.11	130.80	+0.1	3.56	137.34	123.40	130.69	145.52	114.51	120.38
The World Index (2391)	143.86	−0.7	130.13	138.08	−0.3	2.42	144.91	130.21	138.43	162.05	136.68	143.07

Latest prices were unavailable for this edition.
Constituent changes 8/3/90: Deletion: Gt.Northern Nekoosa (US). Name change: FII-Fyffes to Fyffes (Ireland).

SECTION III

FINANCIAL TIMES SURVEY



FINANCIAL Futures and Options

Editorial production: Martin Davies

While Chicago feels the effects of last year's investigation by the FBI, the futures industry is becoming more global, says Deborah Hargreaves. There are strong challenges from new exchanges in Europe and Japan, which use the newest technology.

More join the bandwagon

WHILE THE investigation continues into fraud on the floors of the world's two leading futures exchanges, in Chicago, the city is losing its grip on global business to new exchanges springing up in different time-zones.

In spite of growth close to 70 per cent in Chicago's two markets in the past four years, they have lost market share. They now account for just over half of the world's futures activity, compared with more than 70 per cent at the beginning of the 1980s.

Other markets are gaining ground as derivatives become acceptable to even the most conservative investment funds. As the industry moves towards 24-hour trading, new markets in time-zones outside the US stand to gain international users as well as their domestic clients.

Tokyo's Japanese bond futures contract, which has only been trading for two years, is already trading more in value than the Chicago Board of Trade's Treasury bond futures contract which, for a long time, was the world's busiest futures product.

Chicago's exchanges must extend their reach beyond the US if they want to continue to dominate the industry. For this reason, both are developing screen trading systems that will function when their markets are closed.

The probe by the Federal Bureau of Investigation, which has dented the city's image, has also forced changes in the way the exchanges do business – the markets are pioneering electronic trading cards that will provide a more accurate record of trades as they occur.

The FBI moved into Chicago two years ago. When the huge undercover probe came to light, it seemed the bureau was out for the kill. Threats reverberated of massive indictments and multi-million dollar fraud. However, if the FBI is aware of widespread cheating that reaches to the top of Chicago's trading houses, it has yet to produce evidence. Although the investigation continues and has been extended to other trading pits, it has so far charged fewer than 50 traders with abuse – only 1 per cent of the city's futures traders.

Almost half of those indicted have been charged under the Rico statute (Racketeering Influenced and Corrupt Organisations Act), which can mete out stiff sentences as well as allow the seizure of personal assets. The most serious charges centre on collective schemes, in certain trading pits, to defraud customers by assigning losing trades to small local traders who would then receive kickbacks from larger brokers. But the rest of the charges are for fairly minor infractions, which have been all but forgotten as customers rush to the windy city's deeply liquid futures pits.

The trials are due to start next month but, like the initial investigation, are expected to do little to dent volume. Trading activity at the Chicago Mercantile Exchange rose by a third last year, on the back of burgeoning volume in the exchange's Eurodollar futures; and although the trading level at the Chicago Board of Trade dropped by 3 per cent, that exchange still leads the world, far ahead of its competitors.

Although the probe has exposed a tacit agreement between broker and customer that the market-user will be cheated now and again, customers have not shied away from futures. One trading adviser in Chicago says his overseas customers are more concerned about the sort of overall price protection available in a liquid market than the quarter of a cent they will be ripped off here and there.

More important, the FBI probe has acted on the Government's and regulators' perceptions of Chicago's markets as a mecca for speculators. The probe could not have come at a worse time for the futures industry's highly-prized self-regulatory status, because it coincided with Congress's routine examination of the Commodity Futures Trading Commission (CFTC) prior to reauthorisation. The process is still under way as Congress resurrects some of the concerns that have dogged the industry for years, which flared up again in the wake of the 1987 crash, and were just abating when the investigation thrust them back into centre stage.

The reauthorisation Bill is expected to toughen up on the CFTC's role and increase its budget, so that it will be able to police the exchanges more effectively. The CFTC's "softly-softly" approach to regulation has often been criticised by Congress and by players outside the futures industry.

Although the agency is getting tougher – as its ban on dual trading shows – an influential body of opinion in the US would still like to see a single regulator responsible for equities and their derivatives. Congress is still considering a merger of the Securities and Exchange Commission with the CFTC, in spite of a violent futures lobby against such a move.

A clash between the two regulators on jurisdiction over several new products that were launched last year has brought the merger debate to a head. When the American Stock Exchange, the Chicago Board Options Exchange and the Philadelphia Stock Exchange started trading index participations – baskets of stocks which are traded like options – Chicago's futures exchanges protested that the products were similar to futures contracts and should therefore be regulated by the CFTC.

The CME and the CBOT successfully sued the SEC, which approved the products and tranferred jurisdiction for them to the CFTC. However, the SEC is likely to appeal, which could result in joint oversight being given to both regulators. How any partnership between the SEC and the CFTC would work is not clear, because each adheres to a different set of rules governing its market.

One area that Congress would like to see rationalised between the regulators is margins. The different margin level on futures and securities is a long-standing bone of contention between the two industries, in which margin has a different function. The futures industry stresses that its low margins are performance bonds, and therefore should not be as high as the levy on stocks. But futures seem to be losing the argument, and could expect to see some increase in margin soon.

The industry has a vociferous lobby in Washington, and is ever eager to underline the risks of losing business to markets overseas. Futures exchanges around the world are proving tough competitors as they start up with the newest technology and a dedicated brokerage community. As derivatives are employed by more fund managers, for hedging their global assets, most countries with established capital markets are looking to jump on the futures bandwagon.

In late February, Belgium became the latest to announce that it was setting up a screen-based futures and options exchange. The market will initially trade a 10-year notional bond futures contract, options on 10 Belgian stocks and a stock-index option, when it starts up early next year.

It is the success of Sweden's options market OM that has prompted some countries, like Spain and Norway, to consider setting up their own derivatives exchanges. OM is pioneering a European network of screen-based exchanges, which has started in a modest way by listing Swedish stock options and a few local products, but could have wide potential.

But Europe's futures industry is currently dominated by the London International Financial Futures Exchange (Liffe) and France's Marché à Terme International de France (Matif).

The Matif has relied on a couple of key contracts to establish the exchange and, although it lists a wider range of financial and commodity products, its volume comes largely from government bond futures. Liffe is more diversified, and its activity is spread over a wider range. But Liffe's volume fell behind Matif's for the first time last year. Matif pulled ahead in the exchange's fierce battle to gain precedence when it traded 26m lots, compared with Liffe's 24m.

However, Liffe has seen a huge leap in contract volume in the first few months of this year, as trading in German bond futures has soared amid concern in the cash market. Liffe is in the unusual position of trading the only futures contract on a cash market that is in a different country. Liffe's Bund futures contract is now looked to as a key indicator for the German bond market.

Liffe may lose the franchise, however, when Germany's own derivatives exchange lists a competing contract this August. The Deutsche Terminbörse started up in a small way at the end of January with its listing of options on 10 German stocks. The DTB runs a screen-based system similar to the one in place in Switzerland, which could develop into a strong competitor to the Matif and Liffe.

Electronic trading goes to the heart of the debate about the industry's evolution. FT writers consider the impact of new technology

Screens stretch time

WHEN THE sweaty scrum on the trading floor of the London International Financial Futures Exchange disperses at the end of the day, the exchange moves into the electronic age for an hour and a half, as traders play out their business on an elaborated video game.

Liffe developed its Automated Pit Trading (APT) system in a bid to extend its trading day, and to capture more European and US interest in its contracts. Although the system resembles a video game, it requires a trader's skill to operate, because it tries to represent the dynamics of futures trading on-screen.

APT got off to a modest start after its inception at the end of November. Initially, it listed only two of Liffe's products: Euromark and German Bund futures. For several months, the system was trading an average of 2,000 lots per session; but, as the market for German Government bonds entered a wildly volatile period early in February, trading on APT reached a level closer to 4,000 lots.

Liffe recently listed its long gilt futures on APT, and it plans to launch three more of its major contracts on the system this month. The exchange also has plans for a morning session. Although it does not expect APT to take over from its physical open-outcry market in the near future, it is considering the possibility of listing thinly-traded contracts solely on APT.

Electronic trading reaches to the heart of the futures industry's debate on its evolution, as established derivatives exchanges face the challenge from nascent screen-based markets around the world. Exchanges are confronting the need to lengthen their trading time as the industry becomes more global.

Those exchanges that have decided to proceed along the electronic route are facing a philosophical split over which form their investment should take. The industry is divided between those exchanges that opt for order-matching systems and those, like Liffe, that prefer to harness a trader's skills in some sort of representation of a physical trading pit.

Chicago's two major exchanges are facing just those differences, in their bid to merge their two electronic systems into an industry-wide network. While the two exchanges remain embroiled in negotiations, this year should see the launch of the Chicago Mercantile Exchange's much-vaunted Globex system that it is developing in conjunction with Reuters.

The CME has heralded the advance of Globex as the trail-blazer for the industry, and has made an effort to sign up other exchanges in a bid to turn Globex into an industrywide network. However, its rhetoric has begun to wear thin as the launch of Globex has been delayed again and again – if it eventually gets off the ground in May, as is now planned, it will be eight months behind schedule. In addition, the exchange's bid to extend Globex to other markets worldwide has had to be put on hold while it talks to the CBOT.

There is still a question-mark over Globex. Market observers wonder whether the technology will be obsolete before it becomes established. Globex provides straightforward order-matching facilities without the graphics of APT or Aurora – the CBOT's system – but it has been criticised as having a slow response time and being expensive to use.

While APT responds to a command within a fraction of a second, Globex takes several seconds to register. This is to be expected, given the huge reach of the expected Globex network; however, it raises the issue of how Globex would cope with a fast-moving market and a deluge of orders.

In addition, Globex will charge a fairly high transaction fee for doing business on the system, of which $1 will be a levy payable to Reuters. At the end of a 12-year contract between Reuters and the CME, it is unclear who will have control over the system.

When Globex starts in May, it will do so alone, becausethe CME and CBOT remain embroiled in talks about marrying their two dissimilar systems. Neither side can agree on the configuration of a screen for a joint system, given the opposite directions that each exchange has been pursuing.

France's Matif has signed up to join Globex, but this is the only international market to jump onboard. The fact that negotiations with other exchanges were put on hold when the CME and the CBOT started to talk about merging their two systems has angered other exchanges, which could now be looking at developing their own systems instead of listing their products on Globex.

Another issue that could hamper Globex's chances of becoming an industry benchmark is its acceptance by international regulators. The Commodity Futures Trading Commission, the US regulator, has been eager to promote electronic trading in its ready acceptance of Globex. However, Japanese officials could take a different view, and the Ministry of Finance has not yet decided whether to class Globex as an overseas or a domestic trading environment. If Globex is forced to trade under local Japanese laws, it will be virtually impossible to use in Japan.

Japanese involvement in Globex is a key to the system's success, and it will be a severe blow for the CME if it becomes embroiled in a lengthy dispute over regulation with Japanese authorities. One of the reasons for the development of the system is a bid to attract greater Japanese participation in its markets by providing a liquid market that functions during the Asian time-zone.

As the drive toward globalisation of the futures industry intensifies, and established exchanges feel the competitive force of new markets around the world, they will continue to look for ways to woo new customers.

Opposition to screen-based systems has crystallised around the fear that they will eventually take over altogether from the time-honoured practice of open-outcry trading in the futures markets.

Technology has crept to the very edge of the futures exchanges' trading floors. Although exchanges insist that it will go no further, many traders remain unconvinced. In spite of teething problems with many of the new screen systems, and the delay in implementing Globex, the 1990s could be the decade that sees the futures markets move onscreen.

Deborah Hargreaves

A pointer from New York

WHILE THE debate about the use of computers in trading strategies has, for at least two years, centred on the form of programme trading known as "stock index arbitrage", a more fundamental battle is about to rage.

Last month, the New York Stock Exchange, which has battled to hold on to floor trading in the face of technological advances, admitted that it was studying the setting up of an after-hours session.

Most commentators believed they saw the first step being taken towards an off-floor, electronic, screen-based NYSE.

There are a number of compelling arguments in favour of screen-based markets:

■ The scandal in the open-outcry futures and options exchanges in Chicago has convinced many that a floor system is open to abuse, and cannot be as easily regulated.

■ Old-fashioned trading structures no longer serve the needs of large institutional traders who increasingly dominate the markets.

■ The world trend is to electronic market-places, which are arguably more efficient and cheaper. US regulators and exchanges are concerned about a loss of competitiveness to overseas centres which have set up more modern structures.

The Chicago Mercantile Exchange, the Chicago Board Options Exchange and the London International Financial Futures Exchange have all unveiled new computer networks which bypass the floor. Reuters and Telerate, the two giant screen-based information and trading networks, are at the forefront of the automation craze.

In the context of these far-reaching changes, the NYSE does look decidedly behind the times. The system now in place is a strange hybrid of screen-based and floor trading. Although most daily trades are originated in the upstairs dealing rooms of Wall Street's large block traders, each still has to be taken down to the floor and executed through a specialist.

The onslaught against the specialist system intensified after the stockmarket crash of October 1987, when many specialists simply couldn't – or wouldn't – stand up to the selling deluge.

Their inability to provide liquidity in those extraordinary conditions simply underlined what many had for a long time thought: that institutional investors were now too large, and wanted to deal in too great a size for the structure of the market as it now stood. Some believe that no amount of tinkering with specialist capital will alleviate this problem.

The debate about programme trading has almost always been confused. The term is often used to refer to stock index arbitrage, a particular trading strategy in which traders attempt to capture the price difference between a stock index such as the S&P500 and S&P500 futures contracts. This arbitrage tends to create large swings in the market.

It is not computerised trading itself that has been an issue. Institutions now enter orders into the NYSE's Superdot electronic order system Superdot, but these then have to be executed by specialists on the floor which inevitably slows up the process. The block-trading houses, which match buy and sell orders on screen, believe that the market would be much more efficient if they were allowed to "cross" or transact trades on screens without using either brokers or specialists.

The tension between a traditional, floor-based secondary market and bulk, institutional trading has led to a startling reappraisal of the market structure. It is a difficult question.

The specialist system serves smaller customers well, with business conducted openly. There is a fear that individuals would be locked out of the information flow if a switch were to made to screen trading. But many professionals answer this point by saying that, in an increasingly sophisticated and fast-moving market-place, individuals should put their money into mutual funds and leave trading their portfolios to the professionals.

With considerable encouragement from the Securities and Exchange Commission, the NYSE last year created a new market structure – which only peripherally involved specialists – for institutions that want to trade portfolios of stocks in their entirety. The system was still a mixture of floor and electronic trading, but used competing market-makers much like the screen-based Nasdaq over-the-counter market.

At hearings on the new basket product and trading system at the SEC in Washington, the Commission made it quite clear that it supported any efforts to modernise trading and compete with other exchanges. The SEC has also been supporting the study for an after-hours session.

There is no doubt that computers will remain a popular tool for investors and traders. The most radical development in the 1990s, however, is likely to be further moves towards electronic trading on computer networks, which will match buyers and sellers around the world and around the clock.

Janet Bush

New exchanges on trial

THE ADVANCE of screen trading remains the bogy of the established derivatives business. It is no accident that the only experiments to date have been outside the US.

Lacking the deep liquid futures and options markets born of the American derivatives culture, green-field European exchanges have harnessed technology in the pursuit of market share. Projects have ranged from the modest efforts of Ifox, in Dublin, to the highly ambitious German exchange, the Deutsche TerminBörse (DTB).

If there is a single key to a flourishing exchange, it is the task of amassing liquidity. The irony is that no one has yet proved wrong the suspicion that computers may actually discourage this golden egg of the futures industry. Most of the electronic exchanges have been relatively modest affairs – the New Zealand Futures Exchange, for instance, set up to trade the domestic government bond future, worked from the premise that, in a country where the distances were so vast, the computer was really the only answer if one wanted to create a single exchange.

A more recent example is the Irish Ifox, opened last year, on a system built by the International Commodities Clearing House, which is a more advanced version of the New Zealand model. Set up to trade domestic products, it seemed a suitable commitment to a market whose importance could not warrant building a US-style exchange.

The most ambitious new exchange to opt for electronic trading has been the DTB, which opened at the end of January. The Germans have come late to derivatives, but prospects are bright. International participants are particularly curious to watch the course of events after August, when the DTB lists the 10-year government bond future (Bund), recently Liffe's star product, in what will be the first test case of directly competing products on an established open-outcry exchange and a new electronic market.

Electronic innovation in Europe has been born of political necessity – for example, the DTB, and also Soffex, the two-year-old Swiss options mart. Rival stock exchanges in Zurich, Basle and Geneva, were unprepared to cede control of a fashionable innovation to a regional competitor, so Soffex appeared to provide the answer.

In Germany, regional stock exchanges were even more entrenched in their differences; but electronic derivatives markets have stirred up the consenus sufficiently to spur moves towards computerising equity and bond trading on the antiquated exchanges themselves.

If electronic derivatives exchanges have been in the vanguard of change in the more backward European capital markets, their prospects for success are still mixed. Given the increasing importance of the German market, no one doubts that the DTB will work. Whether the plethora of other small exchanges planned – most recently Belfox, in Brussels – will mature, only time will tell.

In pure turnover terms, Soffex has considerably exceeded offical expectations. But traders have persistently complained about slow response times of the system when its load increases.

Automated exchanges have the ugly spectre of complete collapse when traders have to resort to the telephone. Soffex has not been allowed to forget the three days last summer when the system was down, ironically as a result of expanding its capacity. Some frustrated traders asked the exchange to turn the clock back and find them a room in which to continue their business in a physical auction, but most were content to use the telephone, or not trade at all.

While these are early days in terms of the industry's technological development, the market also cannot afford to be too patient. After all, the new exchanges' *raison d'être* is to provide additional flexibility in an increasingly swift-moving price environment. There is no very sophisticated instrument to hedge the risk of the central computer going down.

A wider question is market quality. What effect do the new systems have on market depth and liquidity? Crudely, are traders more, or less, willing to trade on a screen, and are the prices that evolve better, or worse?

The most active futures contract is the Japanese government bond future in Tokyo, traded on CORES-F, the automated order entry system used for trading all but the largest equity stocks. But no useful analogy can be drawn, because the Japanese style of trading is culturally different from the west's: for instance, trading-halts, to sort out blockages in the system, are an everyday occurrence, in a manner that would cause a revolution among traders in Chicago or London.

The DTB will prove the first real test of a potential major market that is fully computerised, though it is too early to pass judgment. The German traders certainly complain about the annonymity of the screen. International investors, in particular, complain about wide bid-offer spreads, indirectly a function of lack of liquidity; and some say that the press of the crowd in a physical pit might create a better market more quickly.

Whether the computer acts as a break on liquidity, no one can really tell. No doubt the sophistication of the systems will evolve until it is not. Meanwhile, the big open-outcry US exchanges, with advanced plans for after-hours screen trading, will watch the European markets with interest.

Katharine Campbell

London's off-exchange market has received a jolt . . . But off-exchange equity options are beginning to show their paces

Appeal ruling fails to restore certainty

ONE BENEFIT of an over-the-counter market for futures and options is that it allows room for creativity and financial innovation.

Such markets have blossomed in recent years. However, a significant sector of London's off-exchange derivatives market is still reeling from the shock of a High Court ruling in November, which sent it into paralysis.

The UK takes a large slice of the $2,000bn (£1,175bn) currency and interest-rate swaps market, which is anchored in the US and has grown from a negligible level at the beginning of the 1980s to its current gargantuan proportions. It is local authorities' involvement in this market that has caused its present problems.

In November, the High Court judgment in the case involving the London Borough of Hammersmith and Fulham meant that swaps activity was unavailable to local authorities, and also cast doubt over the actions of other non-incorporated bodies such as building societies. An Appeal Court judgment in February partly overturned this ruling, but did not remove the uncertainty that had settled on the swaps market.

The litigation has had implications across the swaps market, and has thrown the whole over-the-counter sector into confusion. It could have the effect of pushing financial innovation offshore, and prompt international banks to take their creativity elsewhere.

The swaps market has been one of the fastest growing areas of the international capital markets since its inception in 1982, and the value of swaps outstanding regularly grows at a rate of 50 per cent a year. The most recent survey by the International Swap Dealers' Association puts market activity at $467bn in the first half of last year.

At the height of its activity in the market, Hammersmith and Fulham accounted for over 10 per cent of the £53bn UK swaps market. The High Court ruled that the borough was stepping outside its general powers when it engaged in speculation and trading in swaps.

The appeal judgment made a distinction between interest-rate management and trading in the use of swaps. It ruled that before July 25 1988, Hammersmith & Fulham had been trading in the market, and that its activities had been unrelated to its actual level of debt and investment. The banks could take further court action to recoup money the council owes them on these deals.

The imbroglio has had an immediate effect on the UK swaps market, by reducing its depth and increasing hedging costs by widening bid-ask spreads. Volume in the deeply liquid swaps market is yet to suffer, but market players say it could push business away from London in the long term.

London is one of three centres for the deeply liquid and mobile swaps market, although the UK has seen its market share eroded in recent years as Japanese swaps business has burgeoned. The market's home remains in New York, where innovative swap instruments have proliferated.

The swaps sector is a sophisticated institutional marketplace, and has therefore escaped the direct scrutiny of a single regulatory agency, although the large banks involved are subject to oversight.

When the US futures industry regulator, the Commodity Futures Trading Commission (CFTC), proposed that it include the swaps sector under its auspices at the end of 1987, a lot of business fled overseas. The nascent commodity swaps business was most affected by the CFTC's decision, because it was only just becoming established. It moved its base to London.

Last year, however, the CFTC created a safe harbour for swaps, and said it would stay away from regulating them as long as the contracts were exchanged between sophisticated counterparties without any retail involvement.

Brokerage houses were quick to make announcements that they were moving their commodity swaps – principally oil swaps – back to the US, creating an environment for a huge growth in business.

The commodity swaps situation is an example of how quickly an over-the-counter market can move from one centre to another. Market players now fear that international banks will move their London-based business to other European countries in the wake of uncertainty surrounding the swaps business in the UK.

It is difficult to imagine a more complicated situation developing in the swaps business. In the UK, the problem is a political one and not a market one, and it has become more complex since the situation was turned over to the courts.

The lack of a regulatory structure for the swaps business means that contracts can be tailor-made for clients, and can run over a long time period without the need of continually adjusting margins and positions, as is the case in the futures markets.

Innovative instruments such as caps, floors and collars are one of the fastest growing areas of the market, and accounted for a trading value of $147bn in the first half of last year. Swaptions, which are options on swap contracts, reached a level of $40bn.

The issue of bonds in the Eurobond market was the driving force behind the swaps market in its early days, but the market is moving increasingly away from its association with debt and towards secondary swaps. These contracts occur when parties transact the swap independently from raising debt.

As the swaps market has become established, swaps have been employed in a variety of strategies, and are being used increasingly by asset managers for portfolio hedging and asset translation. Swap houses see this as the fastest growing section of the multi-billion dollar market.

It is unlikely that the Hammersmith and Fulham court case will have a significant effect on the international swaps market, given its huge depth, but the uncertainty that has clouded the market for many months could push business away from the UK.

Deborah Hargreaves

Bells and whistles count

THE OVER-the-counter (OTC) market in equity options is one of the most exciting and innovative derivatives markets around at the moment.

It is young market, fast growing and – for the moment – very compact and integrated, in that it is almost exclusively London-based. The teams running the show can be almost counted on the fingers of one hand. They are highly trained and highly motivated, and everybody knows everybody else's business.

OTC equity options evolved out of the aftermath of the stockmarket upheavals of late 1987. The great crash, which brought world equities to their knees, triggered a scramble among fund managers for wider and more efficient forms of portfolio protection.

Initially, the upsurge in demand for options-based stockmarket insurance focused attention on the world's traded options markets. But demand-flows quickly shifted and, partly bowled along by the huge success of off-exchange traded currency options, a market in OTC equity options was soon in operation.

Further impetus was provided by the mounting popularity of the various forms of warrant market, notably warrants linked to Japanese Eurobond issues. And over the past 15 months OTC equity options have really begun to show their paces. By conservative calculations, weekly turnover is now thought to be running at two to three times the level of the London traded-options market.

Size, maturity and simplicity of operation are the main keys to the success of OTC equity options. A handful of US and Japanese securities houses dominates the market. The main UK player is James Capel, though acting as agent in setting up deals rather than as principal marketmaker.

In London, was hit hard last month following the wholesale defection of its equity options team to Credit Suisse First Boston.

For the moment, the flavour of the London market is still predominately local. According to one informed estimate, around 50 per cent of the daily turnover in OTC equity options is UK-based with perhaps a further 30 per cent arising out of trades among other professionals. That leaves an international ratio of around 20 per cent, most of which comes from mainland Europe.

The near monopoly that London holds on the business stems from a combination of factors, not least the youth of the market. More fundamental factors range from regulation in Tokyo and (to a lesser extent) in New York to limited local derivatives markets within mainland Europe. Differing tax treatments have also played a part

The near monopoly that London holds on the business stems from a combination of factors, not least the youth of the market. More fundamental factors range from regulation in Tokyo and (to a lesser extent) in New York to limited local derivatives markets within mainland Europe. Differing tax treatments have also played a part.

But the field of play is widening, and the success of the game has begun to show signs of spawning a lucrative transfer market. Bankers Trust, one of the principal marketmakers

Unlike traded options, OTC options do not have preconceived parameters. There can be a certain amount of standardisation, but most OTC contracts are tailor-made to the client's needs – with fees following a similar pattern.

But the overlap between the traded and non-traded options market is considerable. OTC marketmakers use the traded options market as a form of reinsurance, laying-off large segments of contracts. This type of professional business accounts for a large slice of London traded options volume.

The market centres almost exclusively on index contracts, with the big two equity markets, New York and Tokyo, making the running. There are no precise forms of measurement, but a number of educated guesses suggest that the Nikkei Dow accounts for possibly twice as much daily volume as the next most heavily traded contract in London, the Standard and Poor's index.

The length of an OTC contract can extend to 15 years. But deals of this size are still relatively rare. Ten years would be considered a long run, and the average is probably closer to 36 months with £25m as the figure most marketmakers would probably quote for an average size of contract.

Contracts have been known to go as high as £100m, but that tends to push up the fees. On a standard £25m European-style put contract, giving a client the right to buy an index in three years time, the overall cost would be around 6 per cent of the contract size, or £1.5m.

Thus the service does not come cheap. But then the risks to the principal are very real, and the effective insurance cover to the money manager equally tangible. Whatever the individual's view of the effective costs-benefit ratio, the plain fact is that business in London OTC equity options is booming.

The parallel market in traded options offers fixed fees plus fixed contract lengths, mostly three to four months. In contrast, OTC marketmakers can supply as many bells and whistles as the customer is prepared to pay for. The service is entirely bespoke. Not for nothing do marketmakers pride themselves on the flexibility.

It all adds up to a deeper blurring of market distinctions and a broadening of the trend to one-stop financial shopping. The essence of the derivatives business has always been packaging. The volatility of world equities so far this year suggests that the marketmakers have not been wasting their imaginations.

Jeffrey Brown

Index participations

Regulators may get joint control

INDEX participations are probably the most controversial new product to come out of the US futures industry in the past few years.

It was the 1987 stockmarket crash that prompted exchanges to try and develop a vehicle for large investors to trade baskets of stocks. Index participations were the result of almost two years of consultation – but no sooner had trading started than the market was frozen by litigation.

The American Stock Exchange, the Chicago Board Options Exchange and the Philadelphia Stock Exchange all developed index participations at more or less the same time. They proved hugely popular with investors, and trading exceeded 50,000 lots a day on debut. This added up to an underlying value of over $100m.

But the contracts were not allowed to trade for long. Chicago's two futures exchanges sued the Securities and Exchange Commission – the regulator that sanctioned the contracts for the options exchanges. The futures case successfully proved in court the contracts had so many features of futures products that they should come under the auspices of the futures industry regulator, the Commodity Futures Trading Commission.

Since then, the market has been paralysed, as the index participation contracts have ceased trading and the futures exchanges have yet to develop a competing product.

The options exchanges were furious. The SEC is likely to appeal against the ruling, and the most likely outcome is that the two regulators will be given joint jurisdiction over the products. How this partnership would work is not clear, because futures and securities come under different sets of rules.

If the two regulators do come together over index participations, the court case could prove to have backfired on the futures exchanges. They have long resisted any closer relationship between the SEC and CFTC, because they fear the securities regulator's involvement in their market.

But there continues to be strong demand for index participations; so much so that a group of financial firms has developed similar cash-basket products for launch in the UK later this year. The group, which consists of Citibank, Beijer Capital (a Swedish brokerage firm) and the European Options Clearing Corp, will offer 24-hour trading in the baskets over the telephone.

The plan is to market a range of 10 to 15 cash baskets, based on top stocks from different countries. However, the launch of the first product, which is to be based on a basket of Swedish stocks, has been delayed because of a Swedish bank strike.

It is uncertain whether the baskets will be able to capture the frustrated demand for index participations in the US, but there is certainly a wide demand for international products of this nature. The firms plan to launch baskets on German, French and Japanese stocks this year, with UK and US baskets to follow.

The cash baskets will not be traded in the US until the court case over index participations is cleared up, but US firms will be able to take them on their books in other locations. By the time the dispute about the regulation of index participations is over, the market for them could have moved overseas.

Deborah Hargreaves

Problems at the CBOT

Ceres' harvest spoilt by global reapers

ANGRY FARMERS, suspicious detectives from the Federal Bureau of Investigation, avaricious rival exchanges eager to poach business: the Chicago Board of Trade has faced a bucketful of problems in the past year or so.

When its magnificent art deco building was finished half a century ago, a statue of the Greek goddess Ceres was placed on the pinnacle of the roof, *in the hope that she* would smile on the pits below. Lately she seems to have turned her back.

The CBOT remains the world's largest futures market, but its market share has been eroded. Mr Tom Donovan, the exchange's president, revealed earlier this year that the CBOT's share of world futures business had fallen from 38.4 per cent in 1985 to 27.6 per cent at the end of last year.

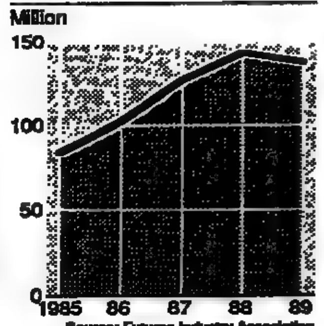
But it wasn't all bad news: the CBOT was still growing; it was just that others were growing faster. In the 1985-89 period, there was a 65 per cent increase in volume at the exchange. However, a brake has been put on that growth: last year, volume slipped by 3 per cent to 138m contracts, reflecting a dull market in Treasury bond futures – the exchange's most important contract – as a result of stability at the longer end of the yield curve.

While the the CBOT has been struggling against increasingly stiff competition from other exchanges around the world, its reputation has been mired by what has been going on in Chicago. Last year the close-knit futures world was rocked by news that the Federal Bureau of Investigation had mounted a two-year undercover operation in the pits, and had supposedly discovered widespread fraud where traders had conspired to cheat customers. Some traders have pleaded guilty, and charges are pending against others. The trials, due to start next month, are likely to give rise to further adverse publicity for Chicago.

Even more damaging perhaps was last summer's Ferruzzi affair. Many large customers might be prepared to accept a little bit of cheating by small-time traders as the cost of doing business in Chicago, but the CBOT's heavy-handed action, aimed at the Italian trading company Ferruzzi Finanziera, was widely seen as the exchange looking after its own, to the detriment of the customer.

What happened was that Ferruzzi built up a large holding in soyabean futures for July deliver, to the extent that *some thought it was an* attempt to corner the market

Contracts traded on the CBOT



Source: Futures Industry Association

– a charge vehemently denied by the company. The Board of Trade then imposed a maximum holding limit, a fortnight before the contract was due to expire, thus forcing Ferruzzi to sell off contracts and protecting traders who stood liable to deliver. Farmers were furious: they had been salivating at the prospect of juicy profits as traders scrambled for beans on the spot market.

Accusations were made that exchange directors, associated with trading firms, were acting improperly in ordering the liquidation. This charge was looked into by the Commodity Futures Trading Commission, the industry's watchdog, which found no evidence of abuse – but the affair prompted Congress to analyse the whole issue of conflict of interest in the process of reauthorising the CFTC.

Thus, 1989 was hardly a banner year for the CBOT, and as 1990 began the exchange hit the headlines again when traders voted on candidates for the office of chairman.

Usually an uncontentious poll, this January's vote saw lively debate as incumbent chairman Mr Karsten "Cash" Mahlmann stood for re-election to the post of chairman for an unprecedented fourth term. Mr Leslie Rosenthal put in a spirited challenge, suggesting a sale of the CBOT's landmark building, Ceres and all, with a subsequent leaseback – an idea that would have given an instant infusion of cash into *members'* pockets. The challenger put up a creditable performance, cornering over 40 per cent of the votes, but Mr Mahlmann carried the day.

A number of serious issues face the re-elected chairman, many of them related to the fraud scandal.

An immediate question is the 11 cents per trade fee, which the Bush administration has proposed to help pay for more effective oversight of the futures markets by the CFTC. The Board of Trade has joined forces with other US exchanges to campaign against the proposed charge, arguing that they will lose out to overseas exchanges if the cost of doing business stateside is forced up in this way.

Besides this problem, the CBOT is faced with a more aggressive CFTC anxious to prevent future fraud. The Commission has already made a ruling banning dual trading, the practice in which floor traders work both on their own account and for customers, which some reckon provides an easy avenue for bilking customers by passing on to them losses sustained in own account trading. The CBOT is urging that the rule be rescinded, maintaining that dual traders add necessary liquidity to the markets.

But more serious than the dual trading issue is the way in which the very manner of doing business in Chicago has been brought into question by the fraud scandal. The CBOT has long been a champion of open-outcry trading.

The exchange argues that the system promotes a niche for the "locals" – small traders losing their voices in the pits in the hope of making a fortune – which gibed liquidity to the market. A major problem, as the FBI investigation has shown, is that the audit trails for many hundreds of trades a day are hard to track with the current system in which trades are simply recorded by pencil.

For this reason, the CBOT has joined forces with the rival Chicago Mercantile Exchange to test hand-held terminals which will record trades electronically. Prototypes should be available by late summer, with the machines recording the exact time of each trade and reducing the opportunities for fraud.

The hand-held terminals may give some temporary lift to open outcry's image, but many argue that the system is outmoded and that it cannot be long before the futures markets succumb to the precision of screen trading. At that point, the colourful scene in Chicago's futures pits would be likely to follow the steam engine and the horsedrawn reaper into the history books.

James Abbott

Glyn Genin

President Tom Donovan (left) revealed that the CBOT's share of world business had fallen. . . . Karsten Mahlmann was elected chairman for a fourth term

CFTC reauthorisation is taking longer than usual, amid . . .

Howls at an 11-cent watchdog

□ **James Abbott** on the US regulation impasse

TURMOIL IN the US futures industry has delayed congressional renewal of the authority of the Commodity Futures Trading Commission, the industry's federal oversight body.

Operating on a temporary renewal of its authority, the agency and its chairman, Wendy Gramm, have sat through a gruelling year of congressional inquiry.

In the past, the four-yearly renewal of the CFTC's authority has been virtually a rubber-stamp affair, but this time round all that has changed.

Capitol Hill began to take an interest after the stockmarket crash in 1987, when Wall Street was quick to blame the stock index futures contracts in Chicago for the downward spiral of the Dow Jones index. There were calls for the the CFTC to be merged with the Securities and Exchange Commission, the stockmarket oversight body, and for the tightening up of the low margin requirement for futures, to make it more in line with that for equities.

Just as the CFTC thought it was winning the argument on that one, controversy resurfaced 18 months ago with the revelations about the extensive undercover probe by the Federal Bureau of Investigation into what was held to be widespread fraud being perpetrated in Chicago's futures pits.

Critics argued that the CFTC had become too cosy with the futures exchanges' governing bodies, and fallen asleep on its watch. The SEC was portrayed, by contrast, as a watchdog with teeth that bit.

In an effort to shed its over-lenient image, the CFTC has busied itself with reforms that it is hoped will prevent future fraud. Most notably, it has instituted a ban on dual trading, the practice in which traders deal both for themselves and for customers, and which was thought to provide a loophole by which traders in the pits could benefit themselves by cheating customers.

Congress was given further prompting – if any were needed – to examine closely the affairs of the CFTC, by the Ferruzzi affair at the Chicago Board of Trade last July. Here, there were allegations of conflict of interest in a liquidation order made by directors at the exchange, and calls for closer oversight. On top of that came last October's mini-crash in the world's stockmarkets, reopening old sores left by the stock index issue in the 1987 crash.

In the past year, the turf war with the SEC has opened on another front. The Philadelphia Stock Exchange and the American Stock Exchange obtained permission from the SEC to launch index-participation productions, representing baskets of shares. Trading began in May, only to be suspended a couple of months later by a court order after a legal challenge by the Chicago Board of Trade and the Chicago Mercantile Exchange.

The Chicago exchanges argued that the products were technically futures contracts, not securities, and that they thus fell under the CFTC's jurisdiction rather than that of the SEC. The issue is hotly disputed by the east coast exchanges, and the matter has gone to appeal.

With so much grist for the congressional mill, it is not surprising that CFTC reauthorisation is taking longer this time than it has in the past. The draft Bills contain clauses that reflect the concerns bred by recent developments.

The senate Bill, for instance, would require the CFTC to complete within 18 months an assessment of audit trail arrangements at all futures exchanges, with a view to ensuring that the exchanges have appropriate systems to detect fraud and institute disciplinary procedures. Also prompted by the fraud scandal are proposed changes in the liability of futures commission merchants.

In the light of the Ferruzzi affair, the Bill drawn up by the Senate agriculture committee establishes a statutory duty on exchanges to avoid conflicts of interest, and requires conflict rules that will trigger requests to the CFTC for prior approval of exchange action where necessary.

Perhaps the most controversial proposal is that emanating from the Bush administration, suggesting that the futures industry should pay for sharpening the teeth of its own watchdog. The Budget plan is that a fee of 11 cents should be imposed on each futures trade from October 1, with the money raised going to cover CFTC expenses for extended market surveillance.

Predictably, the proposal has prompted howls of protest from the futures exchanges, who maintain that the fees would result in their losing business to foreign exchanges. Others argue that the CFTC has to be seen to be an effective oversight body if the industry is to remain viable, and that the fees are necessary to bring that about.

While there has been hot debate surrounding some of the proposals, reauthorisation of the CFTC is also likely to bring in a raft of new provisions accepted by all sides. These include registration of floor brokers, and authorisation for the CFTC to indulge in co-operative enforcement efforts with counterparts overseas, in a response to the spread of global trading.

Perhaps the most piquant provision of all is that Congress has suggested that arrangements be made for future professionals to be trained in ethics.

Block trading: regulators are still considering the CME rule

Chicago exchanges at variance

WHEN THE Chicago Mercantile Exchange made its proposal late last year for a rule that would allow block trading in futures, it stirred a hornets' nest of opinion across the industry on an issue that strikes at the heart of its future development.

Block trading has long been a facility available in the securities industry, for large institutions to cross trades without interference from a trading floor. Many users have been calling for similar provisions in the futures markets, and have intensified their cries since the 1987 stockmarket crash.

Institutional trading now dominates the futures markets, but the markets' time-honoured practice of open-outcry has changed little since the days when farmers met to sell corn 140 years ago.

It was the crash of 1987, when an avalanche of sell orders swamped the thinly-capitalised local traders in Chicago, that increased pressure on the futures exchanges to facilitate large orders by introducing block-trading rules, which would enable institutions to access the markets with minimum disruption to pit trading.

In a bid to accommodate the needs of institutional traders, while at the same time sticking to the principles of a futures market, the CME spent two years hatching its rule, which is currently under review by the industry regulator, the Commodity Futures Trading Commission (CFTC).

The CME has proposed to operate a pilot scheme for block trading in its Standard & Poor's 500 stock index futures contract, where block trading will be allowed for orders of 300 or more contracts.

The exchange has tried to make its rule compatible with open-outcry trading by requiring that, once two institutions agree on the trade, they have to offer it to a trading pit to allow other traders to make counter offers on all or part of the order.

The order must be announced through an exchange official, although the agreed price would not be disclosed to the trading pit. After other traders have had the chance to bid on the order, the rest of it can be crossed upstairs, as has previously been agreed.

There have been several previous initiatives aimed at developing block trading in the futures markets, but exchanges have to be careful to skirt market rules that prohibit pre-arranged and upstairs trading. But, at the same time, block trading must be seen to be fair to all market players, including small retail customers.

Mr Barry Lind, who heads the discount brokerage Lind Waldock, believes the CME's plans will help big institutions to get their trades done, as well as benefiting small, retail traders who will be able to fill their orders when the trade is offered to the pit.

The block traders would not have to disclose the price of their deal to the trading pit, which would allow them to accept only those bids and offers at a price equal to, or more favourable than, the one already agreed.

The New York Futures Exchange made a previous attempt to introduce block trading, in 1987, when it started an experiment in sunshine trading. However, the effort foundered when the CFTC required complete disclosure of the order size and price of block trades on a ticker in the trading pit. The regulator decided that the exchange's proposal to disclose trades by using press releases and a toll-free telephone did not go far enough to promote market openness.

Nevertheless, the CFTC remains keen to promote block-trading initiatives, particularly in view of the way huge waves of orders swept down Chicago's prices in the 1987 crash. The regulator has just closed a comment period on the CME rule, and has up to six months to decide whether or not to pass it.

The CME's rule has drawn a barrage of protest, most vociferously from the exchange's arch-rival, the Chicago Board of Trade. The CBOT says the rule runs counter to the principles of open outcry in the market, and should be prohibited. The move is resisted by veteran traders who are unhappy about what they see as upstairs trading infiltrating the futures markets.

The CFTC has to be careful to ensure that block trading does not lead to a two-tier market with more favourable prices quoted for large, block trades than for small, retail orders. But the agency is keen to encourage innovation and flexibility in the futures markets.

Other markets are watching developments at the CME with interest, because some options markets already allow cross-trading under rules issued by the Securities and Exchange Commission. The Philadelphia Stock Exchange sees a lot of cross-trading in its currency options contracts, which is primarily an institutional market.

In London, the futures market has looked at the issue of block trading, and is trying to find a way to facilitate block trades which would not be unfair on its trading pits or its after-hours screen system.

Mr Michael Jenkins, chief executive at the London International Financial Futures Exchange, says the issue is high on the exchange's agenda for this year. He recognises that the demand is there for a facility of this sort in London, where institutions are very active in the market. Any initiative would have to be put to a membership vote, because it would involve a change in the exchange's rules.

Block trading is likely to continue to be a contentious issue, even if the CME gets the CFTC's go-ahead for its plans. The CME says it will look at extending block trading to other financial futures contracts if it were successful in its index futures. It could just be a matter of time before the CBOT bows to the same pressure.

Deborah Hargreaves

The Swedish Options Market

The web spreads

WHEN THE options and futures exchange OM London was inaugurated last December 15, it marked the most significant step yet in plans by its Swedish parent company, the Stockholm Options Market (OM), to create a pan-European network of such computer-based markets.

Less than five years ago, OM established the world's first fully integrated electronic options market, replacing the traditional open-outcry pits. It has since set up turn-key options markets, based on the Stockholm model, in Helsinki, Paris and Madrid, with the co-operation of leading local banks and securities firms. Oslo is expected to join the list soon, possibly to be followed by Vienna and Rome or Milan.

OM owns minority stakes in these foreign option markets, ranging from 10.6 per cent in Finland's Suomen Optiomeklarit to 34.1 per cent in Norway's Norsk Opsjonsmarked. The foreign exchanges deal in a wide variety of local instruments, including stock index options in Helsinki, bond index futures in Paris, and interest rate options in Madrid.

"Deregulation of financial markets, resulting from the EC internal market, has opened doors for us that we otherwise could never have entered," says OM's founder and president Olof Stenhammar.

Mr Stenhammar hopes that the wholly-owned OM London subsidiary will some day serve as a hub that will route orders to the other OM-associated markets in Europe. For the moment, however, OM London is limited to the trading of Swedish stock index options and futures, based on the 30 leading equities on the Stockholm Stock Exchange, as well as Swedish stock options.

OM London has found a relatively healthy market for these Swedish instruments, with an average daily turnover of 3,000 contracts, due to the large-scale transfer of Swedish securities trading to London, following the levying of taxes on stock transactions in Stockholm that began in 1984. While OM has scored success abroad, it has recently faced with difficult conditions at home, due to the taxing of other financial market activity by Sweden's Social Democratic government.

When OM began, in June 1985, few would have predicted that Stockholm would quickly become the site of one of Europe's leading options exchanges. Although Sweden was considered too small a market for options trading, OM benefited from the booming Stockholm stockmarket of the mid-1980s. "It is hard to lose by placing call options in a rising market," explains Mr Stenhammar, referring to OM's initial trading in stock-option contracts. With trading volume far exceeding expectations, OM added other instruments, including stock futures and stock-index options and futures.

Pre-tax profits for OM hit a peak of SKr220m (£21m) on revenue of SKr30bn in 1987. But the success of the OM drew the ire of Sweden's trade union movement, which complained about the Government's economic austerity measures hurting low-income workers at a time when the "finance puppies" – as one trade union leader sarcastically called the option market dealers – were growing rich.

The Government, in an attempt to mollify its trade union allies, imposed a series of new taxes that had a chilling effect on OM activity just as it was recovering from the aftermath of the 1987 worldwide stockmarket crash, which reduced profits to SKr107m in 1988. The new levies, which went into effect at the beginning of 1989, were imposed on stock and index options and futures, as well as interest-rate options and futures, in which OM also deals.

OM temporarily suspended trading in interest-rate options and futures and saw trading in stock and index futures fall to zero in 1989. "The futures market is in its infancy, compared with options, and could not support the crippling tax rates," says Mr Stenhammar.

Nevertheless, OM's profits climbed by 62 per cent to SKr173m last year, although revenue fell by 66 per cent to SKr10bn. The improved earnings were due to first-time profits from OM's international operations and higher fees from increased trading volume in options and higher premiums on them.

Mr Stenhammar predicts that profits will improve this year, due to the planned abolition on April 15 of the turnover tax on interest-rate options and futures, which the Government proposed in an initial bid to win back financial trading that has gone abroad. Marketmakers are also expected to reverse their declining participation in the OM with the abolition of the turnover tax on trading conducted by securities brokers out of their own account.

But the OM must still confront the potential threat that its monopoly of options and futures trading in Sweden may eventually be broken by the Stockholm Stock Exchange. A government-appointed Securities Market Committee proposed last November that the Stockholm bourse be given the legal right to trade in options and futures.

The recommendation by the panel reflected the belief among the ruling Social Democrats that Swedish financial markets should operate on a non-profit basis, such as the Stockholm Stock Exchange, rather than be profit-oriented like OM, whose main shareholders include the influential Wallenberg family, financier Erik Penser, automaker Volvo and Mr Stenhammar.

The OM's monopoly has been challenged once before when several institutional investors, unhappy about OM's high fees, established a rival exchange, the Sweden Options and Futures Exchange (SOFE), in 1987. But SOFE collapsed two years later, a victim of the financial taxes and the small size of the Swedish market.

Mr Stenhammar believes the reason why SOFE never captured more than 20 per cent of the market was that while its fees were lower, so was the range of its services. "Our higher fees are balanced by the fact that we save our customers money by providing a computerised clearing system that performs many of the tasks that the member firms would normally have to do themselves."

John Burton

Olof Stenhammar hopes the London subsidiary will some day be OM's hub for Europe

Futures funds are here to stay, says Emma Davey

Cautious players join the game

FUTURES FUNDS have become big business in the past decade.

In the US, their home, the amount of money held under management in these products rose dramatically, from an aggregate of $65m (£38.2m) in 1975 to $750m five years later. By 1985, the total had doubled to $1.5bn. Estimates now put the figure for money managed worldwide as somewhere between $8bn and $9bn.

With the growing acceptance and popularity of futures and other derivatives, these investment tools have played a role in attracting smaller, more cautious players to markets that traditionally have been viewed as highly risky and suspect. Futures funds allowed individuals and small institutional investors to enter a field previously reserved for large professional players, on a scale more suited to their pocket.

The tools operate by raising cash from a group of investors, pooling the capital into one fund and investing in a variety of futures and options markets, wherever there is a profit to be made. As commodities such as energy have become more liquid and attractive to investors, funds have moved in to take advantage of the potential gains.

Many proved themselves during and after the 1987 crash, by continuing to make returns in futures while equity investments plummeted. Figures suggest that managed futures funds gained an average 34.1 per cent in 1987.

Although the last two years have not seen such outstanding returns and growth rates as in the mid-1980s, these funds are undoubtedly here to stay. Managing other people's money has become a respected art, with many advisers establishing intricate formulae and computer simulations to follow and predict market trends and calculate returns.

Commodity trading advisers (CTAs) work alongside fund issuers to create attractive investment tools for clients. Many fund promoters use more than one CTA to create a more balanced investment tool and spread risk, thereby improving chances of return. In the US, people such as Paul Tudor Jones and Mint supremo Larry Kite have become cult figures in the futures industry, where their experience of managing funds and their knowledge of the markets has earned them high returns and large accounts.

The popularity of futures funds was highlighted in 1988, when Dean Witter Reynolds raised $100m in one hour for a fund with a limit of $250m. A look at the statistics for Mint's funds, promoted by International, reveals that a fund launched in January 1983 gained almost 300 per cent by 1989. Mint now has in excess of $850m under management and Tudor Jones over $465m.

The recent trend has been toward guaranteed funds, where a proportion of the investment may be used to purchase zero-coupon government bonds; for example, to guarantee a return of the original investment, leaving the rest to be used in the markets.

Regulation in the US has done a lot to promote the growth in funds activity

Tailor-made funds have also proved popular. Domestic funds for an individual country, where a fund issuer will join forces with a local bank, have raised the profile of futures funds to investors who were previously ignorant of their existence. Some funds also specialise in investing only in markets which are acceptable on ethical and religious grounds to the fund investor – an option of interest to clients in the Middle East, for example.

Regulation in the US has done a lot to promote growth in funds activity. All US fund managers have to comply with the regulations of the Commodity Futures Trading Commission and the National Futures Association. All CTAs and commodity pool orators (CPOs) are required to register with the CFTC, and must provide risk disclosure documents for distribution to all prospective customers, detailing the firm's principals, business background, past performance and trading strategies.

For the moment, the US has the only working model for funds regulation. In the UK, the process of introducing suitable regulation has been lengthy and complex. Due to the absence of regulation, firms such as Man International, Sabre Fund Management and London Portfolio Services have all had to establish their funds offshore. The futures industry, and in particular firms offering funds, has been crying out for a regulatory environment to allow futures funds to be marketed to UK citizens in the same way as other collective investment schemes.

However, the creation of adequate regulation has taken years to sort out, largely because of the three tiers of change required in the UK to establish an acceptable environment for futures funds. The first must come from the Department of Trade and Industry, which is expected to produce its final draft of the legislation allowing the go-ahead for commercially sensible funds offering adequate investor protection. The Securities Investment Board must ratify those rules and publish its own document on the regulation of the funds, including standards for risk disclosure and the promotion of funds.

Yet these two moves on their own will mean little to the funds industry in the UK without an appropriate tax environment. Following heavy lobbying by exchanges and others in the industry, there are hopes in some quarters that the Budget will see a change in the tax law, making options and futures investment more accessible to investors.

The problems in the UK started with the planning of the regulation. The DTI has used the EEC Ucits directive as a basis from which to create domestic regulation for funds. It ran into trouble in interpreting the directive's aims more rigorously than other European countries, leaving many in London feeling that the UK would be placed at a competitive disadvantage in the futures business. It was also feared that those funds that had already been forced offshore would have to stay there.

The funds industry and exchanges, however, have worked closely with the DTI of late, and are now more optimistic that it has incorporated amendments to its original draft, to allow the use of derivative instruments in "efficient portfolio mangement". Some of the suspicions of futures and options seem to have evaporated from those in authority.

The City's exchanges are aware of the importance of funds to future volume. In the US, some suggest that the managed futures industry may today account for up to 20 per cent of transactions on futures markets. There are complaints from some funds about the limited liquidity on certain commodity markets, while most of the large funds regularly hit their position limits in active markets.

If the UK is to mirror the growth seen in the US and gain from funds activity, the country's regulatory and taxation environment must first be changed. And it looks as though that change may be just around the corner.

□ *The author is deputy editor of Futures and Options World*

The birth of Tiffe

Banks welcome Tokyo's infant

DESPITE THE backing of 263 of the largest financial companies operating in Japan, the newly-established Tokyo International Financial Futures Exchange has yet to live up to its founders' expectations.

Conceived by the Japanese Ministry of Finance and the banking industry, as a key element in the liberalisation of Tokyo's financial markets, Tiffe does not yet match in importance financial futures exchanges in other centres – including the Singapore Mercantile Exchange (Simex), the London International Financial Futures Exchange (Liffe) and the world's largest financial futures exchange, the Chicago Mercantile Exchange (CME).

Nevertheless, since it opened last June 30, the exchange has filled an important gap in the yen funds market with one of its three contracts – Euroyen futures, the first of its kind in the world. Trading volume in the instrument has grown from less than 1m contracts a month last summer to 2m in December and 1.8m in January.

Banks, the main users, trade the contract extensively as part of their operations to manage short-term funds. They include Norinchukin Bank, the huge farmers' co-operative bank, and leading city banks, among them Dai-Ichi Kangyo Bank, Mitsubishi Bank and Mitsui. Among the 20 foreign members are US investment and commercial banks and UK and continental European universal banks.

"We projected big volumes, because this is the first Euroyen contract in the world," says an exchange official. "But we expected nothing like this."

However, the Euroyen contract accounts for over 99 per cent of the exchange's business. Its other two contracts – Eurodollar futures and yen-dollar currency futures – are almost moribund. At the end of January, open interest in Eurodollar futures and currency futures amounted to just 754 and 31 contracts respectively, against 163,070 for Euroyen.

"Tiffe is trying to find ways of having our contracts traded more actively," says an exchange official. The first step is the planned introduction of full automation next year. The exchange currently operates a semi-automatic system, under which traders have to telephone orders to exchange clerks who then put the trades manually into the exchange computer. Users complain that this can take two or three minutes – too slow on a busy day.

Traders say the exchange needed a fully-computerised system from the beginning – but has not got one because of the speed with which Tiffe was established. Preparations for opening the exchange were repeatedly delayed by arguments between Japanese banks and securities companies over the way it would be managed. This reflected the legal barriers which restrict the access of banks to the securities markets and of broking companies to banking business.

In addition, the exchange is considering extending working hours – it now operates from 9am until 12 noon, and from 1.30 to 3.30 in the afternoon. But there are no plans to establish links with other exchanges to extend trading in Tiffe contracts into other time-zones.

Moreover, Tiffe is planning to reinforce its presence in the Euroyen market, introducing Euroyen options probably next year. Exchange officials say this should boost volumes in the underlying futures contract. Mr Haruo Ishimura, an assistant manager in the treasury department of Dai-Ichi Kangyo Bank, one of the exchange's largest users, says: "We welcome the option and we will use it."

However, none of this will do much to breathe life into the two moribund contracts. In Eurodollar futures, Tiffe has failed to take business from the longer-established Eurodollar contract traded on Simex. Apart from the advantage of having started first, the Simex contract runs a mutual settlement system with the CME, where the greatest volume of Eurodollar futures is traded.

As for currency futures, Tiffe's contract suffers in the eyes of Japanese traders in that it is expressed in terms of one yen being equal a small fraction of a dollar, not the dollar being worth Y145 or so. Tiffe chose the former because that is the way it is traded in Chicago, but the latter is far more familiar in Japan. Officials are considering whether to turn the contract around.

Even then, the exchange will have an uphill battle, because Tokyo has a very large and very flexible foreign exchange forward market.

However, there is plenty of room for growth in Euroyen futures. Banks are only just beginning to educate their clients in how to use the markets – 80-90 per cent of the business is members trading on their own accounts. AT DKB, Mr Ishimura says: "We need to teach people how to use futures, especially how to use them for hedging."

In other areas of the financial markets, the leading Japanese companies are close to their western rivals in terms of knowledge of sophisticated financial techniques, though they often lack experience in applying their knowledge. But medium-sized and smaller companies are well behind in using financial markets to their best advantage.

The specifications of Tiffe's three contracts are as follows: three-month Euroyen futures trade in units of Y100m, with settlement in cash; three-month Eurodollar futures, units of $1m, settlement also in cash; yen-US dollar currency futures, units of Y12.5m, settlement in delivery of yen in Tokyo and dollars in New York. The contract months for all contracts are March, June, September and December.

Stefan Wagstyl

■ Liffe . . . where chief executive Michael Jenkins (right) believes benefits would flow from a change in the tax status of derivatives

London: **Deborah Hargreaves** on the campaign for tax harmony

DTI draft may herald change

LONDON'S FUTURES exchanges believe that confusion over the treatment of derivatives has discouraged fund managers and unit trusts from becoming active in their markets.

A strong futures and options lobby has long been fighting to harmonise the tax and regulatory treatment of derivative products, and is hoping to be rewarded by a change in the tax status of derivatives in this month's Budget.

Futures and options markets in London have seen a surge in growth since their inception in the early 1980s, but equity derivatives still trade only 80 per cent of the value of the underlying cash market.

As derivatives contracts are much more highly leveraged, a futures exchange should be expected to trade many times the cash value of any underlying product. In the US, where the derivatives exchanges lead the world, they trade four times the cash market value.

London has long been hampered by its byzantine tax laws, and by regulation that treats derivative products in different ways depending on how they are used and by whom.

The exchanges are pushing for a clarification of the complex laws that govern the taxation of derivatives, which they say makes them lose potential users.

A change in the tax status of derivatives, accompanied by recent draft regulations from the Department of Trade and Industry (DTI) which will make it easier for unit trusts to use the futures markets, could have a significant impact on London.

Michael Jenkins, chief executive of the London International Financial Futures Exchange (Liffe), believes there could be a growing wave of interest in contracts like the FT-SE 100 index futures. Both the Japanese and US stock index futures contracts trade more than four times the volume of London's FT-SE 100 futures – a fact which the exchanges ascribe to taxation barriers in London.

The problem is that fund managers who use derivatives are liable to pay capital gains tax on contracts that are regarded as capital items. When these contracts are traded, they often become liable for corporation tax, giving rise to a dual system of taxation that is both confusing and inhibiting.

The exchanges are pushing for derivative transactions to be treated in the same way as the underlying cash instruments, thereby creating a symmetry in the tax laws which does not exist at present. This will give a psychological boost to users like unit trusts, who often shy away from derivatives because of the uncertain tax status.

At the same time, the regulatory structure has until recently not permitted unit trusts to use derivatives except for hedging purposes. In a move that is seen as a forerunner to a change in the tax laws, the DTI is issuing draft regulations that would increase significantly unit trusts' access to the derivatives markets.

The new regulations are expected to widen the scope of unit trusts' use of derivatives by allowing them to broaden their use beyond just hedging and to use them for "efficient portfolio management", which the draft defines for the first time. This will enable fund managers to invest in a derivative product without being required to hold the underlying cash instrument – as is now the case – but just the cash to cover the investment.

The DTI's draft regulations also include a structure for setting up futures and options funds, which have not been permitted in the UK but have been hugely successful in the US. The funds, which are attractive to retail customers, will also boost volume on London's derivatives markets.

There has been little co-operation, or indeed contact, between the Inland Revenue and the DTI over the tax and regulatory treatment of futures and options – unlike the cosy situation that often exists among regulators in competing European markets. London's exchanges believe this has worked to their disadvantage, because overseas regulators will often go out of their way to create a structure favourable to the growth of their own domestic products.

In a survey of 16 leading financial institutions in London, Arthur Andersen, the UK tax and accounting firm, found that most were unclear about what they saw as the restrictive tax treatment of derivatives in the UK.

The institutions that were surveyed called for more clarity in taxing derivatives, as well as more symmetry in the treatment of derivative products and the underlying cash instruments. Volume in London's derivatives markets could double if the uncertainty surrounding taxation were removed, the same institutions believe.

While offering significant benefits for Liffe, a change in regulation and taxation of derivatives could prove more favourable for the London Traded Options Market, where business has yet to develop into the sort of levels of liquidity reached among its European competitors.

With some £40bn under management, unit trusts are eager to use the options market in a much more logical way than they can at present. Fund managers are currently unable to buy calls or write put options, which they would like to use to gain exposure to certain stocks without having to hold the stocks themselves.

The benefits of a change in regulation and taxation may be more psychological than anything else, according to Mr David Heron, head of derivatives at James Capel.

"Things are often a problem, because people perceive them as a problem," he says. "... Very many institutions are deterred from using derivatives because of a nagging doubt about what they are doing, even if what they are actually doing is allowed."

If tax and regulatory changes can remove this uncertainty, it will be much to the relief of London's heartfelt futures and options lobby.

Europe: **Katharine Campbell** says the frenzied competition is . . .

No recipe for long-term success

IN THE derivatives business, the virtues of competition are anything but a foregone conclusion.

With just about every European nation hastening to set up its very own futures and options exchange, and a number of them competing with each other directly with look-alike products, market practitioners might be excused for asking whether this was not just an expensive show of national bravado, which will ultimately detract from Europe's overall competitive position.

There have been rich pickings for the exchanges in the last year or so, as they have outpaced their more mature American rivals; but the messy patchwork of markets that is currently forming in Europe hardly looks the perfect recipe for long-term success.

The tardiness of the Germans in establishing their own derivatives complex has been a major source of business for other exchanges, and provided the major field for head-on competition so far.

A particularly vigorous battle is under way between London and Paris over the three-month Euromark products, first last year with futures, and now with the associated option.

Then the newly established Deutsche TerminBörse has said that it will launch a future on the 10-year government bond in August, thereby pitting itself directly against Liffe in what has become its star contract. Certainly, in the case of the Euromark, the one clear result of competition has been to split the liquidity.

As competition between exchanges tends to be more on the rather elusive criterion of market quality – basically liquidity – than on price warfare, for instance, the argument becomes rather circular. In the meantime, members of the respective markets have a less than perfect product.

One of the major reasons behind the proliferation of European exchanges has been the broad progress towards liberalisation in pursuit of the internal market, and the subsequent vying for position between major European financial capitals. On the principle that no self-respecting financial centre of any size can exist without a futures-and-options exchange, the likes of Brussels are going ahead with plans for a market; Spain has at least three in the pipeline.

In several cases, these markets are beneficiaries of considerable support and encouragement from their own governments; nowhere more so than in France, where the promotion of Paris is a considerable project, and the Matif an important constituent of that – having received an important leg-up through the creation of a favourable tax regime and so on.

In Germany, all be it late in the day, the establishment has thrown itself into the DTB with some force, even if some legal changes have not been rushed through by Bonn with the speed the practitioners would have liked.

Important Frankfurt bankers have been talking down the *Liffe* market's role in the collapse of the Bund market last month, and advancing arguments that can only be described as self-serving; indeed, some of them, closely connected with the DTB, are beginning to sound like the more vociferous US critics of the whole concept of futures trading that emerge after every market set-back.

■ The Stockholm Options Market plans a European network of computer-based markets — see next page

With national fervour running so high, it is not surprising that moves towards co-operation are at best limited. The five New York exchanges have been talking about links for years, and their difficulties are not compounded by any whiff of patriotic rivalry.

Individually, *Liffe* is clearly the most successful "European" exchange to date, in terms of product range, and membership. Its younger rival, the Matif, has done much better in domestic products, but is no match yet for it in other products. How the advent of the *DTB* will affect this balance will be of considerable interest, given that more than a third of Liffe's volumes derive from German products. Has the DTB given Liffe too generous a start to fetch the prize Bund – even more attractive with the prospects of increased budget deficits to finance the east – firmly back to Frankfurt?

While an overlapping product range clearly makes sense between different time-zones – *Liffe* trading the *US* Treasury bond future, and so on – the only real justification within Europe is a market gap not currently being filled. Otherwise the logic of a network of domestic exchanges, strong in their home products, but interlinked outside their borders through a joint clearing, if not trading, system, is compelling. But that brokers' dream is years away.

However, the potential economies of moving gradually in that direction are considerable. The clearing operation, with its needs for vast amounts of capital from members, is expensive for all concerned, and there are talks among the major exchanges about how they might co-operate.

In a wider context, the rag-bag of differing systems and trading methods – open-outcry, electronic trading, and a mixture of the two – is probably necessary for the time being while screen trading is very much in the experimental phase, but it is highly wasteful in the longer run. As the industry moves reluctantly into the computer age, no one yet knows which, if any, of the current models on the market are durable solutions for the new environment.

Moreover, the burgeoning network of exchanges poses a major strategic problem for international brokerage houses. For instance, does the global player need a presence on all the major bourses; and does he make that commitment from the start?

One US house, which recently set up with a generously proportioned team of *some 50 players on the Matif*, is rapidly finding that ambitions to be big and beautiful are evolving into the embarrassment of being shown up as small and ugly. Quite apart from the capital and other obvious expenses, the learning process in starting up on a new exchange – which, despite the novelty, differ from one another as much in constitution and culture as the old-established stock exchanges – constitutes a major outlay of energy. *The increasing trend to* deploy local agents, for the most part, is therefore likely to continue.

Meanwhile, a cohesive European exchange network could make up in diversity for what it lacks in terms of the long-established American derivatives culture.

JOBS

Hints on avoiding the vanities of vision

By Michael Dixon

DO YOU have vision?

If not, the signs are that you have a diminishing chance of reaching top rank in a biggish business. Or so it would appear, at least, from something that happened at each of the last three management seminars the Jobs column has attended.

Had it happened less than thrice, I would still be loath to credit it. For the event marks a fundamental change in thinking since I began writing about management almost 22½ years ago.

When the pundits of those days took to drawing up the corporate equivalents of mediaeval ladders of angels, the end results were always the same. The lowest place was occupied by shopfloor operations and the highest by strategy.

On the evidence of those three seminars, strategy has now been demoted a rung and supplanted by vision.

The change seems a bit peremptory even though the old order of things was based on rather less than cast-iron argument. One question never answered adequately, for instance, was how anyone could be sure the presiding strategy was the right one.

Most pundits just assumed that it must be. Their faith perhaps sprang from the idea that with business schools then newly developing east of the Atlantic, strategy-making would be guided by graduates expert in scientific corporate-planning founded on quantitative methods.

The faith was not always borne out by the facts, as witness the first job done by a banker I know after leaving Cambridge about 20 years ago with a mathematics degree. Together with numerous others of his kind, he was employed by British Steel to build a mathematical model of its operations.

"When we ran the model," he recalls, "there was consternation. It showed the actual performance achieved was nowhere near as good as it should be. We checked our equations only to find them OK. We refined a few details, but the message remained the same. The company was hopelessly inefficient."

Later, by what I hear was a minor miracle, the answer turned up in Scotland. The model had a big plant there mathematically going full blast round the clock. In fact, it had been shut years before.

Unfortunately, although such flaws can be corrected when someone finds them, the chances are that they will not be found. Complex modelling techniques and the like tend to be so arcane that people able to acquire the theoretical knowledge to understand their workings, can rarely understand the realities supposedly being modelled, and vice versa.

The result is a Catch 22 exponentially extended, which perhaps accounts for the change in thinking observed. But while that may be a justification for the apparent loss of faith in scientifically manufactured strategies, it surely does not justify today's pundits in replacing them with "vision".

For a start, what do they mean by the term? It cannot be simply ability to see. For, with due respect to readers' great talents, the mere fact that they can see these words is surely not a guaranteed ticket to the top.

Admittedly, there is little doubt about the operational definition of "vision" that most companies subscribing to the new order will use: to wit, *Whatever the biggest bosses suppose they see*. But if the object of the exercise is to advance management as a whole, instead of just the egos of some people in it, something rather less haphazard is required.

So the Jobs column has plunged into history seeking hints on the use of vision – or, better, imagination – as a tolerably reliable tool. And the first thing the search reveals is how remarkably few and far between such hints are.

In the western world, and with the periodic exception of creative arts, the pedigree of the would-be scientific strategy-makers goes back at least to the publication of René Descartes' Discourse on Method in 1637. Although his way of thinking took time to establish itself, it has stayed dominant ever since.

It starts with some notion seemingly self-evident and proceeds by breaking down any difficulties met into more tractable parts and moving from the simple to the complex. The conclusion reached is kept under review.

After that procedure took hold, I can find only one person at all prominent who seriously countered it. He was Giambattista Vico, a Neapolitan philosopher of law. Around 1730 he claimed that imagination, refined by searching and detailed study of the history of humankind, could reliably solve problems that standard science using Descartes' process could not.

Moreover, although failing to spell out precisely how, he at least offered some hints on cutting the risk of imagining things which are false. The only trouble is that Vico words the hints in a manner that defies summary.

Fortunately, however, he appears to have cribbed them from Sir Francis Bacon who did state same in succinct form in his Novum Organum of 1620. He likened the main risks of self-deception to idols which we can worship only to our own confusion.

The first sort he called idols of the tribe – humans' universal tendency to assume that what our senses tell us is true. The remedy is to work on the principle: It ain't necessarily so.

Scond come idols of the cave - the more particular tendency to see only what is familiar and personally supportive, blinding ourselves to all else around. What penetrates the filter will depend on our individual disposition, education, social circle, political preferences, and current mood.

Next are the idols of the market place - the propensity to assume that whatever we have a word for must really exist. Here Bacon's warning was extended by John Stuart Mill who observed that even when there is palpably no reality corresponding to the word, we don't stop believing in its existence. We just decide it must be "peculiarly abstruse and mysterious".

Last come idols of the theatre - falsehoods we take to be true because they are enshrined in famed systems of philosophy. "Upon this point the greatest caution should be used," Bacon said. "Nothing is so mischievous as the apotheosis of error; and it is a very plague of the understanding for vanity to become the object of veneration."

Pundits demoting strategy in favour of vision, and more so top managers following suit, might perhaps do well to take Sir Francis's advice to heart. Otherwise, instead of ridding companies of the vanity of pseudo-scientific thinking, the new order of things may itself become the apotheosis of error, and the very plague of shareholders, customers and subordinates.

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ACCOUNTANCY COLUMN

Tax threat to multinationals investing in US

By Rod Burton

INVESTIGATIONS by the US Congress and recent legislation point to *the likelihood of increased attacks* by the Internal Revenue Service (IRS) against non-American multinational companies. The thrust will be against related-party transactions between non-American parent companies and their US affiliates.

There are much-touted but poorly substantiated statistics suggesting that while US-owned companies are paying more tax as a function of increased gross receipts, non-US owned American companies are enjoying increased gross receipts but lower US tax liabilities. For a Congress and Treasury Department faced with a staggering budget deficit and a "no tax increase" President, this has to be irresistible.

Late last year Congress enacted legislation curtailing excessive debt financing of US companies by non-US owners. The same legislation dramatically increased the powers of the IRS to enforce "arm's length" pricing policies regarding transactions between US subsidiaries and non-US parents.

Even without the legislation of last year the IRS has several non-US multinationals before the courts on allegations of abusing related-party transactions to siphon profits out of the US.

In two much-publicised pending cases, Yamaha Motors and Daewoo International, the IRS is asserting penalties of $13m (£7.7m) and $7m in addition to tax deficiencies allegedly caused by inappropriate intercompany pricing.

What does all of this add up to?

As far as a non-US multinational is concerned, three things need to be understood. What financial relevance *do the developments have? Can* anything be done to mitigate their affects?

In October 1989 President Bush signed the Omnibus Reconciliation Act of 1989 (Obra). The two provisions most relevant to multinationals concern the financing of a US investment by a non-US parent, and the enforcement of "arm's length" intercompany transactions between a US affiliate and its non-US owner.

In the former, interest on "excessive" debt owed to a non-US related party will not be deductible by the US affiliate. The precise rule is that interest expense on a debt owed by a US company to a non-US related party can be deducted only insofar as it does not exceed 50 per cent of the US companies' adjusted taxable income (that is, taxable income increased by interest expense, depreciation and amortisation).

The intent is to stop a perceived outflow of earnings (known as earnings stripping) in the form of deductible related-party interest expense. The effect is to curtail severely debt-financed acquisitions of US companies by non-US multinationals. The denial of the interest deduction can be avoided if the US affiliate maintains a debt-to-equity ratio no greater than 1 to 1 or 1.5 to 1.

Regulations under the provision are expected to treat outside borrowings of the US affiliate as related-party debt if the non-US parent provides the lender with a guarantee or other form of comfort.

The second item, enforcement of "arm's length" intercompany transactions, greatly enhances the IRS's powers to obtain transfer pricing data from non-US multinational respectively groups.

First, the new rules lower the percentage of ownership required for a US affiliate to be considered "related" to its non-US owner, from more than 50 per cent to more than 25 per cent.

Second, the non-US parent will have to maintain documents in the US supporting its intercompany transactions. The IRS may waive this requirement by regulation if the non-US parent gives an undertaking to the IRS that such documents will be provided if requested.

Third, the non-US parent must appoint a US-based agent for the purpose of receiving an IRS summons to the non-US parent.

Fourth, the monetary penalties for failure to provide the required information are increased and the former maximum penalty of $25,000 eliminated.

Finally, the IRS may deny the deductibility of related-party items where the preceding requirements are not met.

The relevance of the above measures is quite simply that they will have a direct and material impact on the earnings per share of non-US multinationals. Although many of the pending court cases are anti-Asian and anti-Japanese (as is most of the attendant rhetoric), no sensible senior executive of a European multinational can ignore the fact that these developments will apply generally. The European Community in aggregate has invested far more heavily in the US than has the Far East, and any thought that these new rules will apply across the Pacific but not across the Atlantic is self-delusion.

In addition to the earnings per share relevance of these developments there is another, perhaps more subtle, impact. Inter-company transaction disputes with the IRS are extremely expensive (even if the company wins) and they are protracted. The IRS estimates that resolution of significant intercompany pricing issues can typically take eight years from the time a tax return is filed. This uncertainty often affects the tax liability of the non-US parent in its home country. The magnitude of the uncertainty can, and quite often does, affect the financial statement of the overall group. Maintaining a reserve for potentially significant intercompany pricing adjustments over a period of years is pleasing to no one.

Finally, what should multinationals be doing in the face of these developments? There are really two points to be made. First, the focus of the IRS in resolving related-party transaction disputes is one of establishing the underlying economic substance. Large US multinationals, which until the recent legislation have been the principal target of the IRS, have been increasingly using economists to develop well-documented arguments in support of their inter-company pricing methodology.

While posing an "up-front cost," this approach provides significant comfort against potential penalties for taking inappropriate tax return positions, as well as assistance in reducing the need for significant reserves on the financial statement. Ultimately this technique may be far less expensive than a dispute with the IRS. As the new legislation begins to bite, non-US multinationals are likely to take a similar approach.

The second thing multinationals need to consider is the new IRS programme aimed at establishing agreements between the IRS and multinationals concerning intercompany pricing issues. The IRS has been developing advance determination agreements (ADAs).

If carried to fruition, an ADA would permit a multinational to pre-clear its methodology for intercompany transactions with the IRS in a legally enforceable contract. The IRS is anxious to have its main treaty partners in other countries, including the UK, join in these agreements.

Despite their importance, the availability of ADAs has not been widely publicised in the UK, although several large British multinationals are in negotiations with IRS.

As with any agreement process, the success of the ADA idea will depend upon there being a benefit to both taxpayer and tax authorities. Overall it would seem that both parties could save enormous financial and human resources that are otherwise wasted in protracted related party-transaction disputes. Additionally, the added certainty to the taxpayer's financial statements as well as the government's revenue estimates provides significant incentives for each side to pursue such agreements.

Rod Burton is a US tax partner who heads Arthur Andersen's multinational tax services group in London.

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This high quality FMCG company is seeking a recently qualified accountant, preferably from a Big 6 environment. Assisting in the performance of the consolidated financial and management accounts, the incumbent will gain exposure to a wide variety of projects.
Please contact LIZ OSBORNE on 01-836 9501.
Ref: FT8390/D

RESEARCH ANALYST
City to £28,000+bens

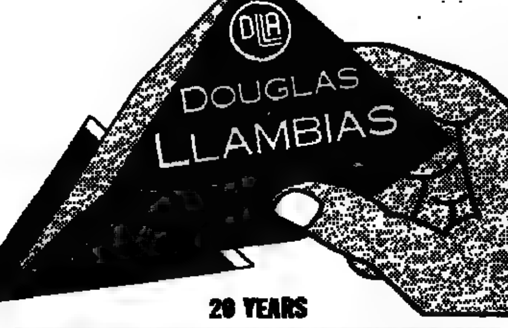
- First Class Entry to Financial Services
- Newly Qualified ACA
- Outgoing Prospects

Scandinavian bank with reputation for excellence seeks a newly qualified ACA from a Big 6 firm. The successful applicant will join the established and accomplished research analysis team, and prospects for advancement to other areas within the bank are superb.
Telephone PETER GREEN on 01-836 9501. Ref: FT8390/E

FINANCIAL MANAGEMENT CONSULTANCY
Cost and Management Accountants
London & Home Counties
£22,000-£40,000+car

- Studying or qualified
- International Consultancy
- Tailored training programme

Exceptional growth within consultancy is reflected by the opportunities currently available at the offices of this leading firm of Management Consultants.
Graduates with good track records, probably in medium to large companies, are required to join multidisciplined teams in London and at a number of regional offices.
The varied and stimulating work will allow individuals to improve their technical expertise and broaden their industry experience.
Please contact COLIN VASEY on 01-836 9501 (or 01-446 7800 outside office hours) or write to him enclosing a full CV. Ref: FT8390/F



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PUTTING THE RIGHT PEOPLE IN THE RIGHT JOBS
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A SENIOR FINANCIAL ROLE – MANAGING CHANGE

EDINBURGH c. £22-£27,000

With a view to consolidating responsibility for Legal Aid in Scotland, the Scottish Legal Aid Board was created under the Legal Aid (Scotland) Act 1986 as an independent Non-Departmental Public Body. We are thus undergoing an exciting period of development.

This has led to new roles and responsibilities – and an increasing need for effective financial planning, analysis, budgeting and forecasting in what is a fascinating and complex field. As the senior financial officer, reporting to the Director of Finance, you will be at the heart of managing change, deeply involved in generating greater efficiency and effectiveness.

A graduate, with a professional accountancy or business qualification, you should have a minimum of five years' relevant experience, at least two of which should have involved detailed financial planning and analysis. A confident communicator, you should have superior presentation and analytical skills, and be a persuasive leader. Strong management skills are a prerequisite, given the breadth of the responsibilities – directing four key functions with over 70 staff. Experience of computerised financial planning systems, including a familiarity with micro-computer software is essential.

Starting salary will be dependent on qualifications and experience.

Please write with full career details by **26 March 1990, to Claire Reid, Head of Personnel and Training, Scottish Legal Aid Board, 44 Drumsheugh Gardens, Edinburgh EH3 7SW.**

The Scottish Legal Aid Board

Commercial Director

c.£35,000 + Car
South London

This Commercial Director is the right hand of the Managing Director and a key member of a small top management team responsible for the profitability and development of a core subsidiary of a keenly managed industrial group. The Company provides specialist components to major market sectors which are stable and offer important medium term opportunities, but are very competitive. Being profitable demands good judgement, nerve and a very well managed operation.

Management of accounting, budgeting and financial control activities will be achieved through a Chief Accountant, a small team and computers. Financial control and reporting is to very tight standards. The essence of the role is the interplay of pricing decisions in the short/medium term on capacity and profitability and the provision of commercial analysis and advice for the improved operation of the business from the factory through to the marketplace.

Applicants should be qualified accountants with experience at Financial Director level gained in a batch production manufacturing environment. Commercial acumen and a real interest in the commercial side of the business is essential, combined with the incisiveness to get to grips with the issues and the flexibility to manage change. Previous successful commercial directors have graduated into general management. The lower age limit is about 30.

Please apply in confidence quoting Ref L446 to:-

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

Appointments Advertising

appears every Wednesday and Thursday. (Friday International Edition only). For further information please call:

01-873 3000

Jennifer Hudson ext 3607

Richard Huggins ext 3460

Sarah Gabe ext 3199

Stewart Maddock ext 3392

GROUP CONTROLLER – EUROPE

Milan Based | F M C G | c LIT. 160 Million (£80,000)

Our client a US FMCG corporation is continuing to increase its presence in Europe. As a result a new position has arisen within the European management team.

Based in Milan, and reporting to the Group Director the successful candidate will participate in and contribute to the development of the European operations. This will involve the monitoring and control of the finance functions of a number of subsidiaries throughout Europe, and participation in the group's acquisition activity.

Key responsibilities will include the development of management information systems, accounting policies and reporting procedures.

The ideal candidate will be a Chartered Accountant aged 32-40 with a minimum of five years commercial experience preferably gained in a US company or in an international FMCG group. Knowledge of GAAP and fluency in an additional European language are also prerequisites.

The package will consist of a high base salary, substantial bonus, car and relocation package.

Interested applicants should telephone Jonathan Cohen or Richard Parnell on 01-437 0464 or write to them, enclosing a detailed CV, at the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

YOUNG FINANCE DIRECTOR (DESIGNATE)

Fast-growing specialist manufacturer

Chester area £27-30,00 + prestige car, benefits

Here is a small but highly successful designer and manufacturer of innovative leisure equipment, now planning another year of significant growth. Continuous improvement and expansion of their product range, spearheaded by aggressive and well-targeted marketing, has made them leaders in their specialist field. To maximise their future potential, they now need a talented young financial executive to join the top management team.

The operation covers multi-site manufacturing, distributioin through their own transport fleet, selling through a national sales force and a significant product development function. While present systems have provided adequate control to date, there is now a pressing need for reporting to be updated in line with management's need for rapid access to key performance information. Cash planning and control in this fast-moving and partially seasonal business is of paramount importance; your contribution here will be invaluable and also in the wider aspects of business planning. There are plans for increasing exports, making strategic acquisitions and new product extensions. All in all, there is tremendous scope for development.

You will be a talented young qualified accountant, with sound experience in an industrial/commercial environment. You will enjoy the opportunity to take a commercial approach, enthuse your own staff and communicate the message of strong financial control throughout the organisation. The future for this dynamic company is extremely bright and your own career growth will match the company's success. A Board appointment would be expected within 6 months.

Please apply to Dudley Harrop at our Manchester Office. M354

Amethyst House, Spring Gardens, Manchester M2 1EA. Tel: 061-834 0618
Fax: 061-832 9123

Also at: Birmingham, Leeds, Liverpool, Nottingham and Swindon

ASB RECRUITMENT LTD
A Division of ASB Bennett Kinnings Plc

FINANCE MANAGER

South West Midlands c. £32,000+car

This Position is with the autonomous UK operation of a major multi-national European Corporation. With sales increasing from its current £22m per annum, the company is seeking further profitable growth from its distribution and manufacturing activities which supply both consumer and industrial markets.

Reporting to the Chairman, the job will include responsibility for Finance, Site Services and Data Processing and Systems, along with managing a small professional team of staff.

Candidates must be qualified accountants with at least 5 years' broadly based financial management experience ideally gained in a multi-national environment. Experience of managing a D P department is essential, and determination and a vigorous personality are necessary personal qualities.

Career development prospects are excellent and along with a competitive negotiable salary, bonus and company car, assistance with relocation expenses will be provided where appropriate.

Please send a detailed CV quoting **Ref: PBM/4136/PG** to: **Philip Guy, PA Consulting Group,** 6 Highfield Road, Edgbaston, Birmingham B15 3DJ.

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HUMAN RESOURCES
Creating Business Advantage
Executive Recruitment • Human Resource Consultancy • Advertising and Communications

CHARTERED ACCOUNTANT CONSULTANT

Based in Milton Keynes c £30,000 + car + benefits

A Chartered Accountant with wide experience of public practice and good interpersonal skills is required to join Chartac Practice Services (CPS).

As part of the Institute, CPS has a brief to provide confidential, impartial and expert advice and assistance to members in Practice on aspects of practice management, control and organisation. The successful applicant will join a small team and be required to meet with practitioners throughout England and Wales. Essential requirements for this position include the abilities to set and meet priorities and communicate effectively with senior members of the profession.

An attractive remuneration package with a car, private health insurance, first-rate pension scheme and (where applicable) relocation assistance is offered.

Please apply in writing enclosing CV stating your current salary, or telephone (0908) 668833 for further details:

Mrs J Burdock, Personnel Officer, The Institute of Chartered Accountants in England and Wales, Gloucester House, 399 Silbury Boulevard, Central Milton Keynes MK9 2HL.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

Operations Manager

Our client is a highly successful Investment Management subsidiary of a major International Bank, with a turnover of £4 billion.

This is a new and significant role, with responsibility for the operations and compliance functions, with approximately 20 staff in support. The position would be suitable for a recently qualified Accountant, seeking a challenge in a dynamic environment, keen to take on additional responsibilities. Previous experience in an International Securities environment and with compliance exposure would be advantageous, but not essential.

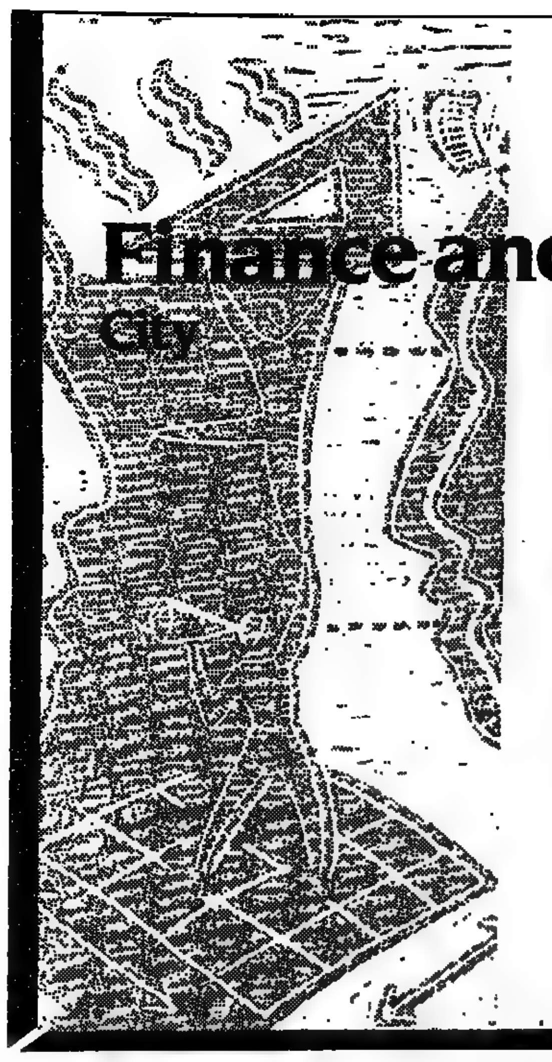
An attractive salary and full benefits package will be offered to the chosen candidate.

Please submit a C/V to the address below or contact us by telephone for further details.

GORDON BROWN & ASSOCIATES LTD.
RECRUITMENT CONSULTANTS

5TH FLOOR, 2 LONDON WALL BUILDINGS,
LONDON EC2M 5PP
TEL: 01-628 7601 FAX: 01-638 2738

Gordon Brown



MAJOR PROFESSIONAL FIRM

Director
Finance and Administration

City

to £55,000 + excellent benefits

One of the leaders in its profession, and employing about 200 staff in its 8 UK offices, this UK firm is long established and widely respected for its high standards, innovations and totally professional style. Future plans could include further acquisitions and joint ventures. This Board appointment will strengthen the financial and commercial management of the Firm's dynamic growth and increasingly complex operations and services, both regionally in UK and internationally.

As a member of the Management Board, the Director will play a key role in strategic and commercial decision making processes. There is full responsibility for financial and administrative policy and management, including systems development, personnel functions and internal communications.

The need is for a graduate calibre qualified accountant, probably over 35, with a track record of strategic planning and financial management within a substantial services organisation. A strong mature personality and relaxed style will be important to operate successfully within this dynamic team. Key attributes are a disciplined analytical approach, energy and excellent communication skills.

This position is designed to attract and retain a top calibre individual for the long term. Remuneration will consist of base salary plus profit sharing arrangement. Excellent benefits will include a car and pension scheme.

Please reply in confidence, giving full details of education, qualifications, career and salary plus a daytime telephone number and quoting reference 1624 to Barbara Robertson MIMC, or call her on 01-583 3303.

BDO BINDER HAMLYN

BDO Binder Hamlyn Management Consultants
8 St. Bride Street, London EC4A 4DA

Financial Planning And Analysis Manager

High Technology Products
South East England,
c £35,000, Car, Benefits

With an international reputation for excellence in the field of high technology engineered products, this organisation is a successful £160m division of a major plc. A vital supplier to a range of 'blue chip' manufacturers throughout the world, the company works closely with its customers to ensure that product quality achieves their existing and future standards. The company is investing heavily in a strategic action programme aimed at enhancing performance and strengthening its position. To facilitate this the Financial Planning and Analysis Manager will be responsible for introducing radical change to business forecasts, monitors and financial modelling. Incorporating innovative techniques, you will lead a team dedicated to providing information which will allow line managers to enhance profit performance. Ideally you will be a graduate and a qualified accountant (CIMA) in the age range 25-35. Your recent career will have been in a volume manufacturing environment where you will have developed experience in sophisticated planning and analysis processes. Obviously tenacious and proactive, your communication skills will be of the highest standard emphasising your ability to contribute in the senior management arena. Whilst being detail conscious you should be a creative presenter, eager to be part of a winning team. The excellent package is supported by generous *relocation terms and an outstanding* range of career opportunities.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *A.E. Philipps*, Hoggett Bowers plc, *11-12 Queen Square*, BRISTOL, *BS1 4NT*. 0272-298433, Fax: 0272-279714, *quoting Ref: D15027/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

BUSINESS DEVELOPMENT DIRECTOR

European Acquisitions

Package to £60,000 + car

This major British plc's impressive growth and profit record is founded on the leadership of its competitive consumer markets. In advance of 1992, one of the largest divisions has embarked on the expansion of its European operations, largely through acquisition, to ensure its pre-eminent position in these wider markets.

The Business Development Director will join a small team with the remit to identify, evaluate and negotiate European acquisitions on behalf of the Division. The person appointed will provide the financial input to the team and will also lead the negotiation and completion of deals, including the integration of companies within the Division. The role is based at the Divisional head office in a rural Midlands market town.

The successful candidate must be a graduate qualified accountant, probably in his or her early or mid thirties. You should combine a track record of increasing responsibility gained in large organisations with recent acquisitions experience in a major public company. A knowledge of European languages would be advantageous. Both the Divisional and Group plans for expansion offer excellent prospects for promotion in the next two to three years for individuals with drive, intelligence and effective communication skills.

Please reply in confidence, giving concise career, personal and salary details to Heather Male, quoting Ref. L486.

Egor Executive Selection,
58 St. James's Street
London SW1A 1LD. (01-629 8070)

EGOR EXECUTIVE SELECTION

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain · Sweden

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Financial Director

c£40,000 + car — Northern Home Counties

As a market leader with substantial UK and European operations in a buoyant sector of the contracting industry, our client is now looking to recruit an influential qualified Accountant to help lead the business forward into a new and exciting stage of its development.

Take up the challenge and, although your direct responsibilities will be to head the Finance and Computing functions, as deputy to the Managing Director your impact will be far wider.

You should, therefore, have a sound record of achievement in industry, together with the astute commercial sense to make decisions that will affect the whole of this fast moving business. Strong personal credibility and management skills are also essential.

Experience in the contracting industry is highly desirable and a knowledge of one or more European languages would be an advantage.

The salary of c£40,000 pa is offered together with a prestige company car and a full range of executive benefits, including generous relocation where appropriate.

For detailed discussions please call Neil Sampson on (043871) 6875 (office hours) or (0494) 725176 (evenings/weekends). Alternatively, send your cv to him at Austin Knight Selection, 22 Prospect Place, Welwyn, Herts AL6 9EN. Please quote ref K584.

Austin Knight

Group Financial Director

c. £55,000 plus car
bonus and stock options
North West England

This well established and successful diversified plc has a core business of light manufacturing with operations throughout the UK and a growing presence within Europe, the USA and the Far East. Current turnover is in the region of £130 million.

A commercially minded, talented and business oriented Group Financial Director is now required to assist in further expansion overseas, and the integration of new acquisitions. Reporting to and working closely with the Group Managing Director, you will contribute fully to commercial and strategic decision making, taking responsibility for all aspects of the group's financial function including statutory reporting, taxation, funding and investment policy.

Candidates should be qualified accountants aged 35+ with prior plc experience in a senior financial role. Previous experience of acquisitions and divestments would be useful, as would a background in light manufacturing. You should have sound managerial and interpersonal skills, and be prepared to accept a 20% travel element.

The group head office is situated in a particularly attractive area and relocation expenses will be paid where appropriate. Long term career prospects are excellent.

Please send your CV outlining your career to date, including details of your current salary, quoting reference J/1030 to Janet Stockton at:-
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL
Tel: 01-334 5743

Price Waterhouse

DIRECTOR OF FINANCE AND ADMINISTRATION

London Legal Practice — **package value £40-50,000**

Bird & Bird is a leading commercial law firm, with an international reputation in technology and communications. To strengthen its management it has identified the need for this key appointment.

Reporting to the Managing Partner, the Director will be expected to make a positive and imaginative contribution to the strategic direction and profitability of the business. Supported by a small staff, he or she will take full responsibility for financial management, administration and the development of management information systems.

This is a challenging position, which calls for highly developed communication skills and leadership qualities, combined with a considerable financial acumen. Candidates should be qualified accountants, aged between 35 and 50. They will have to demonstrate a successful track record in industry or commerce, should have a hands-on approach and must be able to command the respect of their fellow professionals.

Applications, including a comprehensive career résumé with salary history and daytime telephone number, should be sent to Richard A. Lee, Executive Selection Division, quoting reference 3109.

Touche Ross
5th Floor, 52-54 High Holborn,
London WC1V 6RL.
Telephone: 01-353 7361.

A Challenging and Enjoyable Working Environment

MANAGEMENT CONSULTANCY

Central London — **Age 27-33** — **£30-40,000 + car**

The key to effective current and future commercial management decision making, lies in the effective use and development of computer systems.

Our client, a major Division within one of the world's leading consulting firms, is dedicated to identifying its clients' decision making needs and translating these into systems which meet those needs.

They are now seeking qualified accountants who, in addition to their financial experience, can demonstrate:

- commercial awareness
- strong inter-personal and persuasive skills
- experience of implementing or enhancing mainframe based systems

to join their high calibre multi-background team.

In return, our client offers:

- challenging and stimulating work
- excellent training and development
- career and salary progression in line with ability.

A strong track record of growth and high consultant retention rate, reflect the job satisfaction to be derived from the close working relationship with clients on real business issues.

If you wish to discuss how you might contribute to this Consultancy's future success, please telephone either Shirley Knight BA MBA ACMA or Karen Wilson BA ACMA on 01-491 3431 or write to them at FMS, 14 Cork Street, London W1X 1PF, enclosing a recent CV and a note of current salary.

FMS
Search and Selection Specialists
for
Financial Management

FINANCE MANAGER

Based Versailles Region France
FF350,000 Package including Fully Expensed Car

Our client is a well established organisation operating in the vehicle management and leasing sector. Backed by a major British plc, they have already attained an enviable reputation in the UK market and are now poised to compound on this success by establishing a major presence in the French market place.

An integral part of this strategic move, is the recruitment of a Finance Manager who would be responsible for the development for the new operation, working alongside the French Management and UK Board of Directors.

As a young, qualified Accountant, probably aged 28-32, you will have gained excellent all round experience in a growth orientated business working with sophisticated state of the art systems. In addition, you will have fluency in French and ideally have worked in an international company environment.

This represents a unique opportunity to join a young and energetic team of professionals, operating in a challenging and demanding market place. The position offers an attractive remuneration package which reflects the seniority and importance that the organisation is attaching to the recruitment of this individual.

Please write, enclosing a comprehensive CV, quoting ref: A568 to **Charles Austin** at Mervyn Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone 01-488 4114.

MERVYN HUGHES

Finance Director

South Humberside **c £35,000 + Car + Benefits**

Our client is a profitable £50 million turnover fmcg company, and part of an internationally renowned US-based multi-national. They now seek to recruit a Finance Director who, reporting to the Managing Director, will assume full responsibility for all aspects of the finance function, both for the UK operation and an associated company in Spain. The business is experiencing considerable growth which is set to continue, and is undergoing significant change, particularly in the development of management information systems.

Candidates should be qualified accountants, possibly with an MBA, with significant experience in the fmcg manufacturing sector, who can demonstrate a track record of achievement to date.

As this is a fast moving market orientated business, individuals will have to demonstrate well developed interpersonal skills, coupled with an outgoing personality, in order to make a positive contribution to the overall management of the business.

A comprehensive benefits package including full relocation facilities is offered. Interested applicants should write to James J. Russell, quoting ref: L8529, at Michael Page Finance, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. Tel: (0532) 450212.

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance Director

East Midlands **c£30,000 + Car + Benefits**

Our client is a diverse US multinational with subsidiaries throughout Europe. The position arises in their rapidly expanding Midlands based subsidiary, which is engaged in the manufacture and supply of automotive products.

This high profile role will assume immediate control of the full finance function for the operation. Due to the recent expansion of the organisation, a complete review of the management information systems will need to be undertaken and recommendations implemented, to provide a firm platform from which to generate further profitable growth.

The successful applicant will be a qualified ACMA/ACA/ACCA with a proven track record over at least 5 years in a manufacturing environment. From a strong costing background, you will nevertheless have developed a broad armoury of financial skills. Reporting to the Managing Director and as a member of the Board, you will play an integral part in the commercial decision-making process.

These talents, along with the desire to progress within the group, will be amply rewarded by a negotiable package to include an executive car and all the usual large company benefits.

Interested candidates should apply, enclosing a current curriculum vitae, to Oliver Howl BSc, ACA at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST or telephone him on 021-643 6255 quoting reference OH.106.

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance Director

Aerospace **Excellent financial package**

Our client is one of the fastest expanding UK companies in the Aerospace sector, providing a range of specialised services to both civil and military aircraft operators. The company is part of a large industrial group which has targeted aerospace as an area for major expansion both organically and by acquisition. It works on a worldwide basis and has won the Queen's Award for Export Achievement. There is an urgent requirement to recruit a Finance Director to take full control of all the financial affairs of the company.

You are likely to be a qualified accountant with previous experience in aerospace or a broadly related engineering sector. You will have had at least three years of responsibility for the finances of a comparable company or division. You will be able to demonstrate particular strength in the introduction of Management Information Systems and tight financial controls and will be thoroughly familiar with the problems of controlling large projects.

The company is situated in an excellent working environment in the south of England and offers very good opportunities for career development.

In the first instance please call David Dillistone on 01-379 3513 or (out of hours) 01-627 2813. If you prefer, send a copy of your Curriculum Vitae to **D D S Recruitment**, 43 Aldwych, London WC2B 4DA.

All applications will be treated in strict confidence. Under no circumstances will you be discussed with our client without prior consultation.

General Medical Council

Head of Finance

Central London **c.£35–40,000**

The General Medical Council is the national body which regulates the standards and conduct of the medical profession. A prestigious organisation with a high public profile, the Council wishes to appoint a successor to the Head of Finance who will be retiring shortly.

The Head of Finance is responsible to the Registrar (the Chief Executive) and the Council for the effective and efficient financial management of all the organisation's activities. The General Medical Council's tasks are growing in scope and complexity.

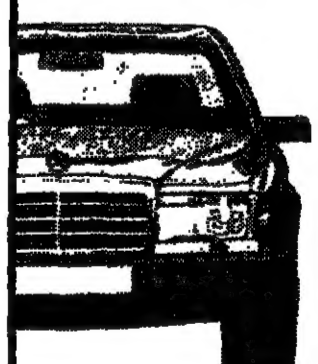
Candidates should be qualified accountants with broad financial management experience, possibly gained in the charity, educational or public service sectors. The person appointed will have the enthusiasm and energy to innovate and to complete the transition to computerized financial management systems. He or she will liaise with the Council's investment and actuarial advisors and, in relation to contractual matters, with its solicitors. Professionalism and the ability to work flexibly and responsively within a senior management team are key requirements.

Starting salary is negotiable within an incremental scale, with scope for advancement to a higher scale where this is justified by performance. There is a comprehensive, non-contributory pension scheme with index-linked benefits and a generous leave entitlement.

Please apply with full career details by letter or fax (01-439 7665) to Peter Humphrey quoting ref: M4024 clearly stating if the application is in confidence. You may telephone for further information on 01-439 6083.

Roland Orr & Partners
Management Consultants
12 New Burlington Street, London W1X 1FF Telephone 01 439 6891

Management Accountant



Our dealership at Brentford, part of Mercedes-Benz (UK) Ltd, has recently undergone a major development, making it one of the most *prestigious motor businesses in London.*

Due to internal development we now need a dynamic Management Accountant to work closely with the management team to develop the dealership to its full potential. Working with a staff of 6, you will be involved in business planning, forecasting and production of monthly management accounts using fully integrated computer systems.

A qualified accountant in your early 30's, you should have experience of operating in a fast moving retail environment.

In return, we can offer excellent career prospects in an environment which allows you to make a positive contribution to the business *development of the dealership.*

In addition to an attractive salary you will have the use of a Mercedes-Benz car and other benefits associated with a major international company.

To apply, please send your CV to Mr E. W. Orgill, Executive Director, at Mercedes-Benz, Great West Road, Brentford, Middlesex, TW8 9AH.

MERCEDES-BENZ

TREASURY MANAGER

City **Age 28-35** **c£45,000 Package + Bonus**

The Investment Management arm of a major UK merchant bank is now establishing its own independent treasury operation to service its expanding private banking division. To lead this exciting new development, we are seeking a key individual to manage the company's treasury function.

Reporting directly to the Director of Treasury Services, main responsibilities would include:–

- day to day running of the treasury operation
- development of treasury hedging/risk management modelling techniques
- efficient funding of the company's treasury operation
- development of new business opportunities
- participation in executive committee policy review.

The successful candidate must have had 2-3 years treasury experience. AIB/ACT or an accounting qualification would also be beneficial. This position offers considerable exposure at executive director level and excellent interpersonal skills will be essential.

Interested applicants should telephone Stephanie Warren on 01-437 0464, or write including a brief CV to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

Financial Controller

For small, modern, high potential engineering company

To £25,000 + car **North West**

Our client, a £5 million turnover subsidiary company of a large UK engineering plc, has an *enviable reputation for high quality* manufacturing and possesses a healthy customer base and forward order book. Modern facilities and automated equipment reflect the investment and commitment to achieve expansion and high profitability through organic growth, with possible later acquisitions.

Reporting to a Group Finance Director based in the Midlands, as the senior site accountant you will work closely with the site directors and provide strong practical financial leadership. Your lively proactive and independent style will *complement sound professional experience* gained in an engineering manufacturing environment. Initiative and the ability to motivate and drive change as the company grows are considered essential.

Ideally in your late 20s/early 30s, although age is not the main criteria, you will be a qualified accountant, probably CIMA, with relevant senior financial experience. You will have introduced *significant change and improvement* in management and computerised information systems by personal energy and commitment. Possession of highly effective management accounting skills and familiarity with providing proactive business data to achieve improved company performance, planning and direction are *also essential.*

The package comprises a basic salary up to £25,000 plus bonus potential, fully fuelled company car and other appropriate benefits, including relocation assistance. Career prospects are excellent, with promotion potential to Financial Director a reality in the short term.

Please write with full details, including salary, – in confidence – to David Mather, Reference 31086, MSL International (UK) Limited, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

MSL International

Finance Director Designate

Innovative High Technology Business

M27 Corridor **c. £35k + car**

Exceptional design skills, a technically expert *management team and innovative product* development have earned this highly profitable company a £4 million turnover and a secure niche as a key supplier to OEM's worldwide. This rare combination of technical and marketing expertise has been widely recognised throughout the industry sector.

The next phase of rapid growth calls for the appointment of an experienced and imaginative finance professional to install the careful financial and commercial controls which will ensure that expansion is disciplined and *profitable.*

Ideal candidates will be qualified accountants with sharp business *acumen and a willingness to become* totally involved with all aspects of a *commercial, export led operation.* Those with a successful track record in companies of similar size in the defence or *electronics sector will be especially attractive* and experience of rapid but carefully controlled growth will be a distinct plus.

A particular requirement is a blend of strategic vision, practical management skills and an informal shirt sleeves working style which will best fit the low key but technically astute culture of this unusual company. The rewards, which *include career development in line with the* company's growth and an early seat on the board, are exceptional.

Please send full career details quoting reference AR. 6005 to Penny Fieldhouse, March Consulting Group, March House, 13 Park Street, Windsor, Berkshire SL4 1LU. Telephone (0753) 869346 or (0753) 857860 at evenings and weekends.

MARCH

March Consulting Group
Manchester Windsor Coventry Edinburgh

Internal Audit Manager

Northern Home Counties — c.£40K + quality car & share options

Our client is a major UK retailing plc with a successful trading formula and annual turnover approaching £1 billion. Its growth and profit performance is well in excess of its competitors. Developments for the 1990's are ambitious, carefully planned and will ensure continuing success.

Internal audit is a key function within the organisation with responsibility for identifying control risks and ensuring that adequate cost effective controls are in place throughout the business. A highly capable Internal Audit Manager is now being sought.

Reporting to the Group Finance Director, your remit will cover all aspects of the Company's operations and the provision of appropriate advice to the Audit Committee. Within this brief you will be responsible for Audit Strategy, budgeting and standards and will personally undertake any investigations of a particularly sensitive or complex nature.

Candidates should preferably be graduate qualified accountants with at least four years' experience in an audit function within a commercial environment, preferably retailing.

You will be well versed in modern audit techniques and should have strong interpersonal, communication and man-management skills. Ambitious and assertive you will also be the type of person that will relish working in a dynamic, committed and informal environment. Likely age range 30-40.

The benefits include a very competitive salary, fully expensed quality car, share options, good pension scheme, health cover etc. Relocation assistance is also available where appropriate.

If this challenging opportunity interests you, please write in strict confidence quoting ref IAM 954 to:
Dirk Degenhart or Vinit Vedi,
Dirk Degenhart & Partners Limited,
Management Search & Selection,
Swan Centre, Fishers Lane, London W4 1RX.
Tel: 01-995 1331 (office hours)
01-994 2187 or 01-560 5619 (evenings & weekends 7-9pm)
Fax: 01-994 9288 (24 hours)

PQE

KENT c£25,000

Company Accountant

This newly formed leisure company, backed by experienced, high-profile Directors with considerable market expertise, is planning an ambitious acquisition programme. With full responsibility for accounting, you will play an integral part in the management process including on-the-spot assessments of outlets. Attractive benefits include very worthwhile share option. Ref: 16064

Contact the Branch Manager at 104 The Broadway, Bexleyheath 01-304 8211
Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997

READING £28,000 + Car

Financial Controller

The young Finance Department at this £50m t/o European market specialist fmcg requires your 'hands on' approach to take control of the team, produce monthly accounts, prepare profit reports and be responsible for foreign exchange and U.S. reporting. Move on up into your first senior position within this North American group. Ref: 10262B6

Contact the Branch Manager at 20 Queen Victoria St, Reading
Reading 0734 596677
Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997

MID SURREY £25,000

Group Accountant

Diverse manufacturing/entertainment plc offers proactive Head Office role that is broad in scope. As well as group results consolidation you will assist with treasury matters, review working capital, appraise subsidiaries accounts and carry out ad hoc assignments. Tennis courts and swimming pool! Ref: 2912205

Contact the Branch Manager at 76 High Street, Guildford 0483 69151
Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997

SURREY c£25,000 + Car

Management Accountant

This very successful manufacturer of construction related products operates 12 production units throughout the U.K. This role centres around the leadership of a small team to establish individual budgets, detail performance assessments and maximise computer system capabilities. Excellent prospects stem from a well-run organisation in a sound, profitable business. Ref: 72A231A6

Contact the Branch Manager at 154 High Street, Sutton 01-643 9422
Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997

CAMBERLEY £27,000 + Car

Chief Accountant

Steady expansion at this £7m t/o consumer durable supplier has created this commercial opportunity. Reporting the M.D., your brief will cover management reports, staff supervision, statutory accounts and systems enhancements. A lively sales and marketing environment where you can make a major contribution. Ref: 40262A5

Contact the Branch Manager at 1 Cambridge Walk, Cambridge 0276 22232
Or our PQE Specialists at 76 Cannon Street EC4 01-489 9997

N.W. LONDON c£30,000

Corporate Project Accountant

Global satellite company, that develops and provides state-of-the-art technology and services, seeks an Accountant capable of devising intricate costing methodologies and who can embrace all the complex considerations linked to techno-economic trade-offs. This absolutely key role carries a superb, negotiable remuneration package. Ref: 9623A3

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INTERNAL AUDITORS BANKING

An International Bank with offices in 73 countries is further expanding its Head Office Audit Division and invites applications from newly qualified Chartered Accountants and Chartered Finalists of no more than 30 years of age, preferably with some bank audit experience.

The applicants should be prepared to travel both within the U.K. and abroad.

Competitive remuneration package commensurate with qualification, age and experience will be offered.

Applications with full C.V. should reach the following address by 20th March, 1990:

A. R. Khan
Central Audit Division,
Bank of Credit and Commerce International,
100 Leadenhall Street,
London EC3A 3AD.

University of Essex

DIRECTOR OF FINANCE

Salary in the region of £33,000 per annum

This senior appointment offers a challenging opportunity. The Director of Finance is accountable to the Registrar for the financial operations of the University and the duties include the development of financial strategy, participation in the planning process, the provision of financial advice and the management of the Finance Section.

Candidates should be qualified accountants with previous experience at senior level in either the public or private sector. Capacity to innovate and to manage change is essential.

Applications (eight copies) including a curriculum vitae and the names and addresses of three referees should be received by the Registrar (A/047/FT), University of Essex, Wivenhoe Park, Colchester, CO4 3SQ by Friday 30 March 1990. Further particulars of this post may be obtained by telephoning Colchester (0206) 872462 (24 hours).

Accountancy Systems Consultant: European Financial Systems

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The Company: Advanced Business Solutions Ltd;

A very successful, international computer software company with offices in Britain, Australia and Singapore. Involved in very exciting developments that will take European Banking Systems to 1992 and beyond. Bringing new software development productivity and project management ideas to the industry.

The Person:

With a professional accounting qualification and the ability to communicate up to the most senior management level. Perhaps having experience in the development of computerised finance systems in retail banking and in foreign exchange. A lateral, creative thinker not afraid to challenge convention.

The Position:

Stimulating, varied and offering considerable opportunity for European travel. Initially establishing European financial system requirements, then providing design input to Mainframe software development projects. Reporting to the General Manager and responsible for the latest financial accounting and banking practices being integral parts of Advanced Business Solutions' products.

The company will negotiate a competitive salary and benefits package, commensurate with qualifications and experience.

Forward details of education and work histories to:
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P.O. Box 970 Windsor, Berks SL4 6PR or Fax 0753-822180.

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Venture Capital Executive

ACA/ACMA OR MBA
London c£40,000 + bonus

Operating within an existing team the individual will contribute to the success of investee companies, from small start-ups to major management buy-outs. This will involve the evaluation of business plans, market analyses and the appraisal of management in order to assess the investment potential.

Applications are invited from candidates who meet the following parameters.

* A first-class degree in a science or engineering discipline.
* ACA/ACMA or MBA qualification.
* Minimum five years commercial or accounting experience of which at least two years gained in an industrial organisation.

A strong commercial outlook is as important as qualifications and experience. In addition, the ability to develop relationships and communicate at all levels is essential. The position offers a highly competitive remuneration package with substantial bonus. Car and non-contributory pension are included.

Please contact our retained advisor Penny Bramah on 01-831 2000 or write to her at
Michael Page City, 39-41 Parker Street, London WC2B 5LH.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

AIBD

Financial Director Designate

An influential position where you will be part of the management team responsible for the products and services offered by the company to participants in the international securities markets.

As the director responsible for finance and administration, you will work with and report to the Managing Director. You will have full responsibility for the functioning of management accounting information systems, financial control, personnel policy and administration.

Applicants will be qualified accountants with at least five years experience in the financial services field. Fluency in a European language, preferably German, would be an advantage.

The rewards include an attractive remuneration package, together with a fully expensed executive car.

Please write enclosing full c.v. to Mrs Stella Deans
AIBD (Systems and Information) Limited
Seven Limeharbour
Docklands, London E14 9NQ

Director

Finance and Administration

International Charity — c£30k + car

We are the one of Britain's largest international charities with an enviable record of growth in funding and diversity of services. In 30 years our income has increased to more than £23 million annually and a strategic plan for further sustained development over the next ten years is in place.

The Director of Finance and Administration plays a key role in our Senior Management Team, working closely with the Director General in developing financial policy and taking direct responsibility for all financial, taxation and investment matters, the management of our IT function and internal administration services.

In addition, the increasing complexity of the relationship between the voluntary and statutory sector plus our growing interests in commercial activities provide us with many challenges in developing our services. The Director of Finance and Administration has a major innovative contribution to make in this area.

We are seeking a qualified accountant with at least 10 years experience at Senior Management level, probably as Financial Director/Controller. Your management and communication skills must be as well developed as your pure technical expertise. Experience of managing in-house computer systems, policy development and providing internal management consultancy services is essential. Professionalism and a record of practical achievement is of more value to us than direct experience of working within the voluntary sector.

Salary around £30,000. Charity car provided, Central London base.

Please apply with detailed cv to
Colin Mitchell, Personnel Director,
Help the Aged,
St James's Walk, London EC1R 0BE.
Closing date: 23rd March 1990.

Help the Aged

CHIEF ACCOUNTANT

City — £50,000 - £70,000 plus benefits

Chief Accountant to manage accounting, taxation and budgeting for a large partnership. Responsibilities to include overseeing preparation of management accounts, advising on financing arrangements, and making monthly presentations to a Finance Committee.

The ideal candidate will be ACA qualified, with previous experience in a large accounting practice and with first-hand knowledge of partnership and legal accounting. Well developed managerial skills to motivate and delegate to a team, are essential.

Interested applicants please contact: Sally-Ann Smith,
Executive and Professional Consultant,
Brook Street Capital, 1/2 Langham Place, London W1N 7DD
Tel: 01-323 3818. Fax: 01-323 0433

BROOK STREET CAPITAL

Finance Director

West Midlands — **To £35,000 + executive benefits**

Our client is a long established, progressive engineering company trading internationally. As part of its strategy for the effective management of change the company now seeks to recruit a commercially-minded Finance Director to the board.

With full accountability for financial control of this £20m turnover business, the appointee will also give advice to the board on the financial implications of their actions and will be required to work closely with other directors on such areas as price negotiation with overseas customers.

Candidates will be graduate-calibre, qualified accountants in their 30's and, being familiar with computerised accounting and manufacturing costing systems, will have the capacity to effectively manage a team.

The basic salary is supported by a bonus, company car, pension scheme and private health insurance.

If this position interests you please send a full CV quoting reference F/655/J to Julie Meakin, Ernst & Young Search and Selection, Lowry House, 17 Marble Street, Manchester M2 3AW.

SEARCH AND SELECTION

Ernst & Young

CENTRAL KENT — c.£34,000 + CAR + BENEFITS

Deputy Group Chief Accountant

Our client is a quoted Group of companies with a turnover in the region of £20 million. It is a traditional, long-established business which is now successfully changing its culture to one in which financial control, profitability and commercial awareness play an important part.

A Deputy Group Chief Accountant is now to be appointed, who will have the opportunity to succeed the Group Chief Accountant on his retirement. Your key responsibilities will include: the preparation of statutory Reports and Accounts; financial accounting systems; management information systems and financial control procedures; and liaising with tax advisors. The role also includes involvement in computer systems development.

Probably aged between 35 and 45, you will be a qualified Accountant, preferably Chartered. You will have acquired good commercial experience in the private sector ideally in a service industry, and including significant computer systems involvement. Familiarity with Stock Exchange reporting requirements would be useful. Good organisational and managerial skills are essential, together with a resilient, confident personality.

Please send full personal and career details in confidence to Christopher Evans, Coopers & Lybrand Deloitte Executive Resourcing, PO Box 198, 26 Old Bailey, London EC4M 7PL, quoting reference 5372/FT on both envelope and letter.

Coopers & Lybrand Deloitte | Executive Resourcing

Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand and Deloitte Haskins & Sells in the UK. The two firms are to merge on 29 April 1990.

Financial Controller

Thames Valley — **Package to £50,000 + Car**

Our client is an autonomous subsidiary of a major merchant banking group. The company has gained an enviable reputation for the creation of innovative leasing and rental programmes tailored to meet the requirements of today's hi-tech market. Turnover this year will be in excess of £450 million.

Future expansion will involve an increase in core business, together with the development of additional opportunities with specialised packages and funding methods. To ensure effective management of its projected growth, the company now seeks a Financial Controller, whose responsibilities will include:
* Day to day accounting
* The supervision of EDP systems
* Financial planning * Cash management
* Marketing support
* Active client liaison.

The successful candidate will be looking for increased responsibility covering all aspects of business management and control. Candidates (aged 30-45) will probably be qualified ACMA/ACA/ACCA and should possess a minimum of 3 years' in-depth experience of lease accounting. Applicants must be determined, self-motivated and able to communicate effectively with senior executives.

This is a challenging role providing a high level of exposure to senior management throughout the group and offers excellent opportunities for career progression.

Interested applicants should send a comprehensive curriculum vitae to Nigel Milford, Regional Manager at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW.

MP Michael Page Finance
International Recruitment Consultants

Financial Director

Cheshire/North Wales

£35,000 +

+ Executive Car,

Large Company Benefits,

Full Relocation Package

The Company

Our client is a highly successful group of companies engaged in the food processing industry targeting a turnover in excess of £50 million. It is, in turn, part of an acquisitive international PLC with an outstanding record of growth. This expansion coupled with the holding company's ambitious plans ensures a rewarding future.

The Job

Your key areas of responsibility will be:
- Overall responsibility for the Group's financial and computer management.
- Positively influence the profitability of the group companies.
- Development of the group's accounting structure.
- Identify acquisition targets for the group.

The Candidate

You will be a qualified accountant, preferably in the 35-45 age range, with proven ability in the following areas:
- A high degree of technical accounting expertise.
- Commercial decision making.
- Development of computerised systems.
- Preferably with experience of manufacturing or distributive industry.

To learn more telephone, or write (enclosing up to date curriculum vitae), to Kevin Bradshaw, 3rd Floor, St. James's House, 7 Charlotte Street, Manchester M1 4DZ. Telephone 061-236-3251. All applications should be received by 19th March 1990.

HAYS EXECUTIVE SELECTION

Hays Executive Selection

Hays

WEST YORKSHIRE — c.£40,000 PACKAGE + CAR

Finance Director

For a £15 million turnover manufacturer of high quality consumer products. The company has a well established presence in the market place and has ambitious plans for future growth.

Reporting to the Managing Director, you will be responsible for the entire finance function. Your role will be wide ranging with emphasis on business planning, performance monitoring and the maintenance of sound financial controls. In addition, you will be expected to play a key role in the commercial management of the business.

You will be a qualified accountant, in the age range 30-45, with substantial "hands on" experience at controller or director level in a manufacturing environment. Essential personal attributes will include excellent communication and interpersonal skills together with a high degree of self motivation.

Please write enclosing your curriculum vitae and a day time telephone number, giving an indication of your present salary to Angela McDermottroe, Coopers & Lybrand Deloitte Executive Resourcing, Albion Court, 5 Albion Place, Leeds, LS1 6JP, quoting reference 217AM.

Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand and Deloitte Haskins & Sells in the UK. The two firms are to merge on 29 April 1990.

Finance Director

c £40,000

+share options, car, etc.

Our client is an autonomous division of a high growth UK PLC. The division comprises three businesses, with a combined turnover of £8m, designing and manufacturing specialist high technology engineering equipment. A dynamic management team is currently being developed which requires strong financial leadership.

As Finance Director you will take responsibility for all accounting matters, and will be very closely involved in the commercial development of the division, in a role which involves negotiations and commercial decision-making. The initial brief will be to strengthen the financial systems and controls.

You will be a qualified accountant, in your thirties, with experience in an engineering environment. You will be confident and practical with highly developed commercial and negotiating skills. You will be entrepreneurial and ambitious to take up a general management role.

Please reply in confidence, giving concise career and salary details and a daytime telephone number, quoting ref 1614, to Richard Holland at the address below. You can telephone for an informal discussion on 01-583 3303 or 01-677 3803 *(evenings)*.

BDO BINDER HAMLYN

BDO Binder Hamlyn Management Consultants
8 St. Bride Street, London EC4A 4DA

EUROPEAN FINANCIAL CONTROLLER

U.S. Multinational

c.£40,000 + Substantial bonus & prestige car

Our client is the highly successful electronic components division of a U.S. Multinational, with sales & marketing operations already well established in the U.K., France, Germany, Italy and Scandinavia. A manufacturing base is currently being set up in the Midlands to support their further expansion into Europe by 1992 and they now need a strategically thinking Controller aged under 40 to drive the financial side of this major initiative.

Reporting to the European Vice President and working closely with local country Controllers, strong communications & presentation skills will be essential, coupled with considerable commercial awareness gained in quarterly driven, multinationals. A working knowledge of French/German accounting systems and practises is desirable and, since the Group is highly acquisitive, a pro-active approach to rapid growth is also important, as is the ability to talk financial language at a marketing level.

In return our client is offering an extremely attractive salary and benefits package, including a substantial achievements related bonus, prestige car and relocation assistance to an attractive part of the West Midlands.

To discuss the role in confidence, and to arrange a local meeting, please telephone Tony Williams on 01-629 8677 until 8.00pm daily.

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Foley House, 12a Maddox St., London W1R 9PL. 01-629 8677

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Financial Controller

Automotive Components

Yorkshire — **c£25,000 + car**

Our client – a member of a multi-national group – is a recognised market leader within its specialised sector of the automotive industry. This is a dynamic, results oriented environment underpinned by a continuing programme of investment in the latest manufacturing technology.

As a member of the senior management team, your responsibilities will be wide ranging and will include the implementation of progressive reporting systems to provide clearly focussed information on current manufacturing performance; thus you will make a major contribution to the general management of the business.

As a qualified Cost Accountant you will have a minimum of five years' experience in a profit accountable, manufacturing environment. The ability to analyse and interpret cost and profit variances is the key requirement.

Salary for discussion as indicated; the comprehensive benefits package includes assistance with relocation expenses, where appropriate.

Please write – in confidence – with full details. A. L. Brown, Ref 62189, MSL International (UK) Limited, Ebor Court, Westgate, Leeds LS1 4ND.

MSL International

Financial Directors

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£25,000 + Benefits

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Please apply in writing, enclosing full C.V., to:
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Manchester Square
London W1M 5RD

BUSINESS MANAGER

Newbury, Berks ***Ca. £35k + car + benefits***

Our client is a prestigious and highly successful commercial firm of Chartered Architects and Town Planners with an enviable reputation for creative flair and architectural excellence.

Based in Newbury, with offices elsewhere in the South East, the firm now seeks a Business Manager as a key part of its long term plan for growth.

Responsible to the Managing Partner for all aspects of the commercial and financial management of the firm, the Business Manager needs to be:

- **A professionally qualified accountant.**
- **Possess at least 5 years post-qualification commercial management experience ideally gained in a service or project management environment.**
- **Familiar with the development of management information systems including project costing.**
- **A committed and enthusiastic professional.**

If you have the drive, personal and technical skills to succeed within a youthful and dedicated team, please send a full C.V. including current remuneration, in confidence to:

Stephen Jandrell, Director
Baker Tilly Management Consultants Limited
20/24 The Courtyards
Croxley Centre
Hatters Lane
Watford WD1 8RR

MANAGEMENT CONSULTANTS
BAKER TILLY

FINANCIAL CONTROLLER

£25,000 + CAR + OPTIONS **LONDON, EC3**

We are an on-line information and electronic publishing company currently undergoing rapid expansion which has created the need for a qualified Financial Controller.

Reporting to the Director, Finance & Administration, you will be responsible for all aspects of financial management and reporting, including preparation of management accounts to tight monthly deadlines. This broadly based role also includes responsibility for personnel and administration.

Candidates should be qualified accountants with a good management accounting background, a good knowledge of spreadsheets and an ability to work accurately under pressure. A shirt-sleeves approach is essential.

Applications in the form of C.V. to:
Box A752, Financial Times,
One Southwark Bridge, London SE1 9HL

FINANCIAL CONTROLLER
(DIRECTOR DESIGNATE)

London/Surrey borders **c £35,000 + car + benefits**

We are a very profitable independent electrical retailer selling electrical appliances and consumer electronics. Our annual turnover is around £25m and we are currently undertaking an ambitious expansion programme.

We are looking for an equally ambitious Financial Controller to guide us through this exciting phase of development and beyond. Reporting to the Managing Director, you will take full control of the Company's financial and administrative affairs. In addition, you will advise on a variety of business issues and contribute to enhancing our already sophisocated computer systems.

The successful candidate will be in his/her thirties and qualified with at least five years proven financial and management experience. Good communication skills together with a "hands on" approach is essential. You will be dynamic and ready to take on a new challenge. A Board appointment is envisaged within two years.

Applicants should reply in confidence with full CV to:
Ray Selman, Personnel Manager
Tempo plc, Unit 1, 161 Kingston Road, New Malden, Surrey KT3 3PQ

TEMPO

DIVISIONAL FINANCE DIRECTOR

Croydon-Based
Negotiable remuneration package c.£45,000

A recently reorganised group is seeking to appoint a Finance Director for one of its operating divisions. The division which provides specialist civil and mechanical engineering and surveying consultancy services has a turnover of approximately £40 million.

The divisional finance director will report to the divisional managing director and will be an important member of the senior management team. He or she will play a key role in the implementation and enhancement of improved management information systems and provide a significant contribution to the commercial strategy and success of the division.

Candidates should be qualified accountants who have experience of both managing the finance function in organisations of similar size and developing, implementing and enhancing computerised accounting systems.

Strong interpersonal skills and a high degree of motivation and self-confidence will be important characteristics in order to be effective at divisional board level.

The remuneration package will include a performance related bonus.

Interested applicants should write, enclosing a detailed CV indicating current salary, to David Sutcliffe, Executive Selection Division, Price Waterhouse, No 1 London Bridge, London SE1 9QL.

INTERNATIONAL APPOINTMENTS

We are one of the largest French financial institutions operating more specifically on the stock market. In this area, we would like to have an actual company "guide post". For this reason, we are currently looking for a :

STOCK MARKET STUDIES MANAGER

Within our R & D, at the head of a small team of analysts, his task will be :

- to implement instruments for observing and gauging the market (basing himself on what is used in France or in other countries),

- to analyze the results and summarize them,

- to distribute the resulting studies, both within the company and outside it, and promote their usefulness.

To fill this position, we are looking for a person with a university degree (finance, economics, statistics) and 3 to 5 years expérience in the research department of a stock-dealing firm or financial institution.

In addition to being dynamic and rigorous, we ask that the candidate be familiar with micro-computers and have a good level of French.

For the initial contact, send your complete dossier (hand-written letter, resume and desired salary) to our consultant Denis SESBOUE - COREX - 11, avenue Myron-T.-Herrick 75008 PARIS , under reference REBIFT.

MEDIAPA

CORPORATE FINANCE

FOUR NEWLY QUALIFIED ACCOUNTANTS
c£28-£33,000

We are currently recruiting for a major Merchant Bank who are seeking to appoint several young ACA's to work in the following departments:

- UK domestic Corporate Finance
- European M & A
- Structured Finance (MBO/MBI)
- Venture/Development Capital

In the fist instance please contact: David V. Paton who is acting as an advisor on these appointments at:

Hynes Associates Limited
Specialists in Corporate Finance Recruitment
International Business Centre
77-79 Wells Street, London W1P 3RE
Tel: 01-580 5522, Fax: 01-323 1107

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